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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 961

W. REUEN FISHER, *Petitioner*,

v.

NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, of Millington, Michigan, *Respondent*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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No.

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NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, of Millington, Michigan, *Respondent*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

To the Honorable Chief Justice and Associate Justices of the Supreme Court of The United States:

Petitioner prays that a Writ of Certiorari issue to review a judgment of the United States Court of Appeals for the District of Columbia Circuit, dated and entered in the above cause on December 27, 1962, and on which a petition for rehearing en banc was denied on January 28, 1963 and on which a petition for rehearing by the division was denied on February 6, 1963.

The Appellate Court by an order dated February 12 1963 granted petitioner's motion filed on January 31, 1963 to stay the mandate and transmission of the opinion and the certified copy of the judgment for a period of thirty days pending application for certiorari pursuant to Rule 31 (k) (2) of the Appellate Court Rules. The Appellate Court by a further order dated March 1, 1963 granted petitioner's further motion filed on February 25, 1963 to continue the stay of the mandate and transmission of the opinion and the certified copy of the judgment to March 29, 1963 pending application for certiorari.

A.

REFERENCE TO OPINIONS IN COURTS BELOW

The Appellate Court's opinion is reported at the present time at 136 USPQ 28. It is printed on page 36a in the appendix to this petition.

The District Court's opinion on the merits was delivered on September 27, 1961 and is reported at 131 USPQ 135. It is printed on pages 25a through 29a in the appendix to this petition.

The District Court on January 6, 1960 had previously dismissed the Complaint on the ground of forum non conveniens and that opinion is reported at 179 F. Supp. 843 and is printed on pages 9a through 14a in the appendix to this petition. The Appellate Court reversed the District Court on November 15, 1960 and remanded the action for trial on the merits and that opinion is reported at 109 U.S. App. D.C. 182, 284 F. 2d 611 (1960), cert. denied, 365 U.S. 827 (1961) and is printed on pages 15a through 22a in the appendix to this petition.

B.

CONCISE STATEMENT OF GROUNDS INVOKING JURISDICTION OF THIS COURT

1. Date of Decree to be reviewed is December 27, 1962 and time of its entry is December 27, 1962.

2. Date of order denying petition for rehearing en banc is January 28, 1963. Date of order denying petition for rehearing by the Division is February 6, 1963.

Date of order to stay the mandate and transmission of opinion and the certified copy of the judgment for period of 30 days pending application for writ of certiorari is February 12, 1963. Date of further order to continue stay of the mandate and transmission of opinion and certified copy of the judgment to March 29, 1963, pending application for writ of certiorari, is March 1, 1963.

3. The statutory provision believed to confer on this court jurisdiction to review by certiorari is Sec. 1254(1), Title 28, U. S. Code.

C.

QUESTIONS PRESENTED FOR REVIEW

1. Whether Petitioner, a United States citizen and resident of Canada and a former Michigan corporation officer and director was deprived of his constitutional rights of due process under the 5th Amendment of the United States Constitution, and of equal protection of the laws as implied in the 5th Amendment, by the action of the District Court of the District of Columbia, which was affirmed by the Appeals Court for the District of Columbia, in failing and arbitrarily refusing to apply and give Petitioner the equal pro-

tection of the Michigan General Corporation Laws, Comp. Laws 1948, Section 450.47 (MSA 21.47) when under its alleged local jurisdiction (D.C. Code Section 306) the District Court, upon an alleged cause of action which arose in Michigan for title to patents and patent applications, held that Respondent Michigan Corporation was the owner of said patents and patent applications because Petitioner breached his fiduciary duty to the Respondent when the only possible cause of action, for any such alleged breach of fiduciary duty against a Michigan Corporation director and officer, was created by said Michigan statute and was also extinguished by said statute before the present action was commenced.

2. Whether petitioner, a United States citizen and former officer and director of Respondent corporation, was deprived of his constitutional rights that his property should not be taken without due process of law and without just compensation therefor under the 5th Amendment of the United States Constitution, by the action of the District Court of the District of Columbia, which was affirmed by the Appeals Court for the District Court of the District of Columbia, in holding that the Petitioner's drill bushing invention as claimed in U.S. Patent No. 2,744,424 was owned by the Respondent corporation because of an alleged undefined breach of fiduciary duty even though the facts (Defs. Ex. 20 and 21) clearly showed that Petitioner had made the invention before the Respondent corporation was started.

3. Whether the Court of Appeals for the District of Columbia erred in upholding the District Court of the District of Columbia's decision that Respondent's cause of action was not barred by a Statute of Limitations and especially the Michigan limitations set forth in Sec-

tion 47 of the Michigan General Corporation Act, which not only created the only right or cause of action for any alleged breach of fiduciary duty by Petitioner as a Michigan corporation officer or director, but which also extinguished such right or cause of action before the present action was commenced, and wherein there is a conflict between the Courts of Appeals on this same question because the Court of Appeals for the Sixth Circuit has held that said Section 47 does apply to the present type action and such Sixth Circuit holding is in conflict with the holding in this action.

4. Whether the Court of Appeals' decision is in conflict with the applicable decisions of this Court because of its affirming of the decision of the District Court for the District of Columbia which held that it had local equity jurisdiction over the subject matter of this action for title to patents and patent applications under Section 306, Title 11, D.C. Code 1951, and jurisdiction over the person of the Petitioner because of a compulsory counterclaim for royalties and infringement after having first held that it did not have jurisdiction over the subject matter of this action and Petitioner under the patent laws, which was the jurisdiction invoked by the Respondent Michigan corporation in its complaint, because it was not properly brought thereunder, when this action could not have been properly brought in the District Court by original process against Petitioner, a United States citizen and resident of Alberta, Canada, because Section 306 is limited by Section 308, Title 11, D.C. Code which states that no action shall be brought by original process against any person who shall not be an inhabitant of, or found within the District of Columbia.

D.

STATUTES INVOLVED

28 U.S.C. 1254(1)
28 U.S.C. 1338(a)(b)
28 U.S.C. 1400(b)
28 U.S.C. 1652
28 U.S.C. 1653
28 U.S.C. 2201
35 U.S.C. 293

Federal Rules of Civil Procedure:

Rule 12(h) Waiver of Defenses
Rule 13(a) Compulsory Counterclaim
Rule 17(b) Parties; Capacity to sue
Rule 82 Jurisdiction and Venue Unaffected

Michigan Compiled Laws, 1948, Section 450.87
Michigan Compiled Laws, 1948, Section 450.91
Michigan Compiled Laws, 1948, Section 450.47
District of Columbia Code, 1951, Title 11, Sec. 306
District of Columbia Code, 1951, Title 11, Sec. 308
District of Columbia Code, 1951, Title 12, Sec. 201
District of Columbia Code, 1951, Title 13, Sec. 108
United States Constitution, Amendment V, (Due Process; Just Compensation for Property)
United States Constitution, Amendment XIV, Section #1 (Equal Protection)

Due to their length, these are set forth in Appendix, pp. 1a through 9a.

E.

CONCISE STATEMENT OF THE CASE

The present action was brought by the respondent-plaintiff, North Branch Products, Inc., a corporation organized under the laws of the State of Michigan and now defunct, (Bankruptcy Case No. 16,662, Dist. Ct., Mich. Eastern Dist.) and which had its principal place of business at Millington, Michigan, against the petitioner-defendant, W. Reuen Fisher, a citizen of the United States, residing in Alberta, Canada, for a decree adjudging that respondent was the owner of certain United States patents and patent applications filed in the United States Patent Office in the name of the petitioner between April 1, 1949 and February 17, 1957. As set forth in the District Court's pre-trial statement, the basis of the action is that the inventions involved in the patents and patent applications were made while the petitioner was an officer or an employee of the respondent and in a fiduciary relationship with respondent, and the inventions related to his work as an officer or employee (J.A. 45).

The patents and applications involved in this action all relate to bushings of the drill guide type and include a replaceable coiled liner. The coiled liner may be easily removed from the retainer or bushing body for replacement purposes. Petitioner was connected with a bushing company, the Universal Engineering Co. of Frankenmuth, Michigan for 20 years as an incorporator, officer and director, until March 19, 1949, before being associated with respondent. In the latter part of 1948 petitioner conceived his novel bushing with the replaceable coiled liner. On December 7, 1948 petitioner bought 12 special coils (Dft's Ex. 20) made from drill rods, from the Hartz Spring Company of Holly,

Michigan. Petitioner had the Lake Odessa Tool Co. at Lake Odessa, Michigan make some bushings (Dft's Ex. 21) with the coils in the first three months of 1949.

Petitioner knew Swanson, the president of respondent, because both of them had been directors on the Board of Universal Engineering Co. During the first three months of 1949 petitioner had many meetings with Swanson during which they discussed the organization of a company to make the bushing. Petitioner gave Swanson one of the bushings (J.A. 158). Swanson and petitioner agreed to organize a company to make the bushing. Between March 19 and March 25, 1949 Swanson gave petitioner money which he had obtained from prospective stockholders and from his own sources, and petitioner added money of his own and bought out the assets of a company which was known as the North Branch Products Company (J.A. 270), which had been formed in 1937 to produce sheet metal stampings.

Petitioner and Swanson agreed orally before organizing respondent that petitioner would be compensated for the right to manufacture his inventions on the royalty basis of one per cent of the gross sales of the company, with a minimum of $500.00 per month and a maximum of $1,500.00 per month, with a charge-back of any salaries that were to be paid petitioner.

The first shareholders meeting of respondent was held on April 1, 1949, and Swanson was elected President, Grim was elected Vice-President and petitioner was elected Secretary-Treasurer. Petitioner's patent license with respondent was approved at the first stockholders meeting on April 1, 1949. Thereafter, the agreement (Pls. Ex. 1) dated April 5, 1949 was prepared by petitioner and executed by Swanson.

Swanson and petitioner both contributed sums of money to the company, from time to time. These sums of money were actually on loan to the company and no notes or other securities were given. From time to time Swanson and petitioner would draw out a portion of that money retained by the company as a sort of a drawing account, each being credited with the amounts paid in and debited with the amounts paid out. A separate account for each party was carried on the books of the company up to at least the 4th day of December, 1954, when the books were taken out of the possession of petitioner and the ledger containing such accounts never was returned (J.A. 168). Petitioner contributed approximately $80,000.00 (Deft's Exs. 26 and 28) to the company.

Petitioner served as secretary-treasurer, manager and director of respondent from April 1, 1949 to December 4, 1954. Between December 1954 and May 1956, petitioner served only as sales manager (J.A. 177). The Board minutes (Pl. Ex. 22) for the meeting of May 2, 1956 show that the petitioner was reappointed General Manager on that day. The minutes for April 30, 1956 show that petitioner was elected as Secretary-Treasurer for the ensuing year. Petitioner resigned as Secretary-Treasurer and General Manager on October 31, 1956 and this resignation was accepted as shown by the Board minutes of November 6, 1956. Petitioner was again appointed General Manager at the Board meeting of December 2, 1956.

The patent license, plaintiff's Exhibit 1, listed three patent applications as filed by petitioner in April, 1948, November 1948 and December 1949. As an actual matter, petitioner was mistaken in his dates and had only two applications filed on April 5, 1949. The

first application was filed December 22, 1948 and disclosed a coiled wire embedded in a cast body, and the application S.N. was 66,663 (Pls. Ex. 2). The second application matured as patent No. 2,543,840 and related to a locking device for a solid steel bushing.

Several patent applications were filed by petitioner after April 5, 1949 and the claims thereof covered the replaceable coil structure of the bushing (Defs. Ex. 21) petitioner had made before April 1, 1949. The first application was ordered by appellant on November 7, 1949 (Defs. Ex. 12) and filed in the Patent Office under S.N. 194,099. The second application was filed January 10, 1952 and matured into Patent No. 2,744,424 (Pl. Ex. 5). The claims of patent No. 2,744,424 are not limited to any particular coil cross section or form, and the coil may be made from round or flat stock.

Respondent's expert witness testified (J.A. 131) that a common feature present in the patents in issue in this action was also present in the structure shown in the drawing, defendant's Exhibit 2, which was the drawing from petitioner's application S.N. 194,099, defendant's Exhibit 12, filed 11-4-50 (J.A. 130, 131), and (J.A. 131, 132) that claim 1 of patent No. 2,744,424 covers the use of a reducible diameter and expandable diameter coil as a guide bushing, and this claim did not claim any feature of end capping of the coil.

Petitioner paid for his applications as they were filed. Some of them were paid by petitioner's personal checks (Pl. Exs. 15-21) and others were paid by checks of respondent company which were charged back to the drawing account of petitioner (J.A. 168).

Prior to respondent's organization no company had made a bushing having a coiled liner. Consequently, a large amount of experimentation was resorted to in order to determine how to manufacture the invention (J.A. 212, 213). After the bushing had been proven to the trade as being acceptable, the respondent's Board of Directors required petitioner to disclose all patent applications which he had filed. These applications had been filed with the knowledge and consent of respondent and Swanson in 1952 or 1953 requested his name to be placed on some of the applications (J.A. 180, 181).

At a specially called meeting of the Board on December 4, 1954, petitioner was asked to produce the patent applications pertinent to this action. At a subsequent Board meeting held on December 8, 1954, petitioner told the Board that they could go to his patent attorney's office and inspect the patent applications (J.A. 180). Petitioner had learned that it was the intention of respondent to dispose of the patent rights and petitioner refused to give the Board copies of the applications for circulation among the trade.

Petitioner retained Albert A. Smith, an attorney, to represent him at the Board meeting of December 20, 1954. In the letter from Swanson (Deft's Ex. 1) calling for the Board meeting of December 20, 1954, it was specifically mentioned that they would discuss rights and benefits of the company under the agreement relating to patents and patent applications. Smith testified that at the meeting of December 20, 1954, patent applications were discussed and he advised petitioner not to give respondent any applications. In the words of Smith, "This was a keep still and act tough situation, strictly a business situation, which didn't involve

any law as far as I was concerned at all." (J.A. 150, 151). Smith consulted a patent attorney by telephone concerning these patent applications and sent petitioner a bill for services which was paid by stock in the respondent company. (J.A. 142). Smith drafted a sales contract between petitioner and Revere Fisher Engineering Co., the sales subsidiary of respondent. Petitioner paid $25,000.00 for the sales contract with Revere Fisher Engineering Co. (J.A. 166).

Between December 1954 and May 1956 at which time time petitioner was again re-elected as Secretary-Treasurer and General Manager, he spent his time on sales and engineering (J.A. 165). The books during this time were kept by a bookkeeper and at a location designated by Swanson.

Petitioner's sales efforts were successful and orders for a large amount of the bushings were received by respondent. The Revere Fisher Engineering Co. used catalogs in its sales activities which displayed the products of respondent and these catalogs were marked "patent pending" and with patent numbers (J.A. 118, 119). Respondent paid royalties as shown by the royalty account referred to in Defendant's Exhibit 3, page 4, under manufacturing expenses.

On February 17, 1957, respondent's Board of Directors upon a motion made by Smith discharged petitioner from his position as General Manager. Petitioner received royalties for a period of four months after discharge.

After correspondence between the parties did not result in the resumption of the royalty payments under the patent license, petitioner gave respondent a notice of termination of the license and a proposal to start

suit for unpaid royalties and infringement. On April 21, 1958 respondent upon the advice of Smith started the present action by filing the bill of complaint in which it claims to be the sole owner of petitioner's patents and patent applications.

The complaint (J.A. 4) alleged that the District Court had jurisdiction of the subject matter of this action under Title 28, United States Code, Section 1338(a) (Act of June 25, 1948, c. 646, 62 Stat. 931); and jurisdiction of the person of petitioner under Title 35, United States Code, Section 293 (Act of July 19, 1952, c. 950, Section 1, 66 Stat. 814), and jurisdiction to declare respondent's right to the patents and patent applications involved under Title 28, United States Code, Section 2201, (July 7, 1958, Pub. L. 85-508, Section 12(p), 72 Stat. 349). 28 U.S.C. 1338(a) provides that the District Courts shall have original jurisdiction of any civil action arising under an Act of Congress relating to patents. 35 U.S.C. 293 is a patent statute providing for service of process or notice to patentees not residing in the United States of proceedings affecting the patent or rights thereunder. 28 U.S.C. 2201 is the Federal Declaratory Judgment Act. The bill of complaint did not invoke the Court's local equity jurisdiction under the D.C. Code, 1951, Title 11, Section 306. Service was made by publication under the provisions of 13 D.C. Code, Section 108, read with 35 U.S. Code, Section 293.

Petitioner filed an answer and compulsory counterclaim for royalties and infringement under Rule 13(a) of the Federal Rules of Civil Procedure. Upon permission granted by the District Court at the Pre-Trial of this case petitioner filed a Motion in November 1959 to dismiss this case on the grounds that the District

Court did not have jurisdiction over the subject matter of the action set forth in the complaint since it was not a case arising under the patent laws of the United States which was the jurisdiction invoked by the complaint but that it was an action for title to patents and patent applications. The District Court held that this case was not within the group of cases arising under the patent laws 35 U.S. Code, Section 293 and 28 U.S. Code, Section 1338(a), and hence service by publication on petitioner under 35 U.S. Code, 293 was ineffective. The District Court further held that the filing of petitioner's counterclaim, which the Court held to be permissive and not compulsory, gave the District Court local jurisdiction over the subject matter of the action and the person of the petitioner under the provisions of the D.C. Code, 1951, Title 11, Section 306. The District Court, however, sua sponte dismissed the complaint, under the doctrine of forum non conveniens. Respondent appealed the case and the Court of Appeals for the District of Columbia Circuit reversed the District Court on the matter of forum non conveniens and remanded the case on November 15, 1960. Petitioner's petition for rehearing was denied on December 7, 1960.

The District Court tried this case without a jury and entered the judgment on September 27, 1961, on which this appeal is based, together with the findings of fact and conclusions of law in support thereof (J.A. 230). The District Court held that the petitioner had violated his fiduciary relationship with the company and that the respondent, therefore, owned the legal title to the patents and patent applications in issue. The petitioner took an appeal to the Court of Appeals for the District of Columbia and that Court affirmed the judgment of the District Court on December 27, 1962. The

petitioner's petition for rehearing en banc was denied on January 28, 1963, and petition for rehearing by the division was denied on February 6, 1963.

F.

BASIS FOR FEDERAL JURISDICTION IN THE COURT OF FIRST INSTANCE

The bill of complaint alleged that the District Court had jurisdiction of the subject matter under 28 U.S. Code, Section 1338 and jurisdiction of the person of petitioner under 35 U.S. Code, Section 293, and the right to declare respondent's right to the patents and patent applications involved under 28 U.S. Code, Section 2201. The District Court held (179 F. Supp. 843) that it did not have jurisdiction under the aforecited patent laws but that it had jurisdiction under its local general equity jurisdiction, even though such jurisdiction was not invoked by the complaint, in accordance with the provisions of Section 306, Title 11, D.C. Code 1951, because of the interposing by petitioner of a counterclaim for royalties and infringement which the Court said was permissive and not compulsory. The District Court failed to take into consideration that the Court's jurisdiction was that which was invoked by the complaint and that Section 308, Title 11 of the District Code limited said Section 306 and this action could not have been brought by original process against petitioner who was not an inhabitant or found within the District of Columbia when the complaint was filed.

G.

ARGUMENT AMPLIFYING REASONS FOR WRIT

Question No. 1

The Respondent company based this action on an alleged breach of fiduciary duty of Petitioner as a director and officer of Respondent. Respondent company was a Michigan corporation and existed solely under the Corporation Laws of Michigan, and, accordingly, the Michigan Corporation Laws are controlling in regard to actions for breach of fiduciary duties by Respondent's directors and officers. Under the Conflict of Laws Rules for the District of Columbia, the law of the place of injury determines the rights and liabilities of parties to an injury. *Boland* v. *Love*, 95 U.S. App. D.C. 337, 222 F. 2d 27 (1955); *Utica Mutual Insurance Co.* v. *Potomac Iron Works, Inc.* (1962), 300 F. 2d 733. Accordingly, any cause of action for breach of a Michigan corporation officer's duties must be determined by the law of Michigan.

In the present action, Respondent Michigan company is seeking title to patents and patent applications for the alleged breach of duty of one of its former officers and directors and it is to the Corporation Laws of Michigan that any court must look to determine if Petitioner, in view of the evidence, breached his duty as an officer and director of Respondent corporation.

The Michigan Corporation Statute which sets forth the fiduciary duties of a director and officer is Section 47 of the Michigan Corporation Laws, and this statute is set forth in full herein on page 6a of Petitioner's attached appendix.

The District Court had no other yardstick but said Section 47 for measuring Petitioner's corporate con-

duct, and the District Court should have applied Section 47 in determining whether or not this action was barred by the time limits set forth in this Michigan law. This Michigan Statute was argued to the District Court in the oral argument for the trial on the merits, but the District Court arbitrarily refused to consider the application of Section 47 to the present action. The District Court merely stated in its Conclusions of Law that this action was not barred by either the Michigan or District of Columbia's statutes of limitations. Section 47 is, however, more than a mere statute of limitation in that it is of the type which not only creates a cause of action, but also extinguishes it after a predetermined time limit. The Appeals Court erred in affirming the District Court on this point. Section 47 of the Michigan corporation statutes is thus more than a mere statute of limitations since it creates the *only* right or cause of action for breach of fiduciary duties by a Michigan corporation officer or director, and further, it also extinguishes the right after a time limit for acting thereon. Section 47 goes to the very substance of Respondent's claim of an alleged breach of fiduciary duty by Petitioner. Section 47 is thus not a procedural law of the State of Michigan, but is a substantive law of the State of Michigan which the District Court should have applied in this action. This type of a substantive law is discussed in *Goodwin* v. *Townsend*, U.S. Ct. of Appeals 3rd Cir., 197 F. 2d 970. The limitations for bringing action against Michigan corporate officers and directors is set forth in said Section 47 and these limitations go to the rights created by said Section 47 and they accompany the obligation or right everywhere. This point of law was decided by this Court in the case of *Davis* v. *Mills*, 1904, 194 U.S. 451, 24 S. Ct. 692, 48 L. Ed. 1067.

It is thus seen from the foregoing that Section 47 creates substantive defenses against the *only action* it creates against Michigan corporation directors and officers and such substantive defenses must be considered by courts outside of the State of Michigan since Section 47 is part of the substantive law of Michigan. As set forth above, Section 47 was argued to the District Court and there is no need to allege or prove said law in the federal courts. *American Seating Co.* v. *Zell*, 138 F. 2d 641 (2nd Cir. 1943), 322 U.S. 709, 64 S. Ct. 1053, 88 L. Ed. 1057 (1949).

Section 47 was thoroughly discussed by the Michigan State Supreme Court in the case of *Detroit Gray Iron and Steel Foundaries, Inc.* v. *Martin*, 362 Mich. 205, 106 NW 2d 793, decided January 9, 1961. In this case the Court said:

> "Section 47 prescribes the standard by which a director's performance of his duties is to be measured. It puts in statutory language what this Court, quoting Thompson and Morawetz, said in Martin v. Hardy, supra. This is the standard. Conduct below this standard, whether negligent or wilful, subjects a director to liability no greater than nor any less than he risked before enactment of the statutory provision. The concluding language of section 47 limiting actions against directors for conduct below the standard specified to 6 years from the date of delinquency or 2 years from the time of its discovery, 'whichever shall sooner occur', radically alters the periods of limitations which would otherwise apply to actions against directors either for negligent conduct or fraud. * * *
>
> The legislature's purpose in so doing is not clear. Perhaps it believed that qualified directors for Michigan corporations could not be found unless

> they could be assured that their conduct of their corporations' affairs could not be challenged after 2 years following disclosure to interested parties or, in any event, after 6 years from occurrence. Plaintiff quite correctly notes that the result is *that, a corporation defrauded or otherwise injured by a director, who owes fiduciary duties to his corporate victim, must sue within 2 years of its discovery of the wrong* or *within 6 years of its occurrence, whichever sooner occurs, or forever bear the loss. But, if the corporation is defrauded or otherwise injured by a stranger, it may sue within 2 years after discovery of the wrong regardless when it occurred.* * * *" (Emphasis added.)

In view of the Michigan Supreme Court's statement that this section 47 is intended to encourage people to take on the responsibilities of a corporate officership by assuring them that the conduct of their corporation's affairs could not be challenged after two years following disclosure to interested parties or, in any event, after six years from occurrence, and because Petitioner's conduct must be measured by section 47, it is contended by Petitioner that the District Court and the Appeals Court deprived the Petitioner of his constitutional rights of due process under the 5th Amendment of the United States Constitution. If this case had been initiated in the federal courts in Michigan, Petitioner would have been entitled to the protection of section 47 under the equal protection laws of the 14th Amendment of the United States Constitution. In the present action, the court held that it had jurisdiction under the local laws of the District of Columbia over this action. However, this situation cannot deprive Petitioner of his constitutional right of due process under the 5th Amendment because as applied to the District of Columbia, the 5th Amend-

ment implies equal protection of the laws. *Hamilton Nat. Bank* v. *District of Columbia,* 176 Fed. 2d 624, Cert. Den. 70 S. Ct. 241, 338 U.S. 891, 94 L. Ed. 547. The "due process" as guaranteed by the 5th Amendment includes, at least in part, "equal protection" as guaranteed by the 14th Amendment, *Bolling* v. *Sharpe,* 347 U.S. 497, 499, 74 S. Ct. 693, 98 L. Ed. 884 (1954). Certainly, if the inhabitants of the District of Columbia are entitled to an implied protection under the 5th Amendment, then Petitioner is entitled to the equal protection of section 47 although he is not an inhabitant of the District of Columbia.

In the present action, the alleged breach of fiduciary duty was the filing by Petitioner of additional applications other than those cited in the agreement of April 5, 1949, without informing the Respondent.

The first application was defendant's Exhibit 12 which was the application filed on November 4, 1950 under S.N. 194,099 and which disclosed a bushing having the common feature of a replaceable coil liner which is made from flat stock. This was an application which disclosed structure substantially identical to that shown in patent No. 2,744,424 and which was abandoned in favor of the last mentioned patent. This was the case also which Petitioner disclosed to his patent attorney on November 7, 1949. Since the patent application S.N. 194,099 was filed on November 4, 1950, the time for suing Petitioner under section 47 must start to run from this date. Accordingly, six years after the date of November 4, 1950, which would have been November 4, 1956, the appellee's right to bring this cause of action was extinguished. Patent No. 2,744,424 was filed on January 10, 1952, and under the six year rule of section 47 any alleged cause of action on this patent was extinguished as of January 10, 1958.

Respondent had many occasions when it could have ascertained that Petitioner was filing additional applications. One of the first occasions was the issuing of the checks to Petitioner's patent attorney (Pl. Exs. 15-21). The earliest one of these checks was dated May 17, 1950, and under the two year rule of Section 47, Respondent's right to bring this action for all of the patents was extinguished on May 17, 1952. A further occasion was at the board meeting of December 8, 1954 when Petitioner discussed patent applications with Respondent and offered to let the board inspect the applications at his patent attorney's office. It is contended that the two year rule of section 47 definitely started to run from December 8, 1954 and barred this action as of December 8, 1956. See the case of *Wolf* v. *Thomas*, 6 Cir. (1959), 271 F. 2d 634, where a Federal Court applied section 47.

In view of the foregoing reasons, it is respectfully contended that this action for title to Petitioner's patents and patent applications was barred by both the two year and the six year rules of section 47 of the Michigan Corporation Statutes and the District Court erred in not applying section 47, and the Appeals Court affirmed such error. Section 47 should have been considered by the lower courts by operation of Title 28, U.S.C., Section 1652 which states that the laws of the several states shall be regarded as rules of decision in civil actions in Courts of the United States in cases where they apply. The failure and refusal of the District Court and the Appeals Court to apply section 47 to this action was a clear deprivation of Petitioner's constitutional rights of due process under the 5th Amendment of the United States Constitution.

Question No. 2

The bushing invention embodying the "common feature" running throughout all of the patents and applications in issue in this action was developed before the organization of Respondent. Petitioner had invented the drill bushing (Def. Ex. 21) having the common feature before April 1, 1949, the organization date of Respondent, and this fact was clearly shown by the twelve special coils Petitioner bought from the Hartz Spring Company of Holly, Michigan, on December 7, 1948 (J.A. 155, 157). These coils were used by the Lake Odessa Tool Company of Lake Odessa, Michigan, in the first three months of 1949 to make a number of bushing models as defendant's Exhibit 21 (J.A. 156). Petitioner paid for the Exhibit 21 bushing models by personal checks (Def.'s Ex. 22-A through 22-G).

The common feature which was embodied in the defendant's bushing, Exhibit 21, which was made before the organization of Respondent, was also embodied in all of the bushings in the patents in issue, as testified by the Respondent's expert (J.A. 129, 130). Respondent's expert further testified that this common feature was embodied in the bushing structure defined in claims 1 and 2 of patent 2,744,424. Respondent also admitted that this common feature was embodied in its current production bushings by the admission in open court of infringement of claims 1 and 2 of patent 2,744,424 (J.A. 181).

This common feature was described by the Respondent's expert (J.A. 129-131) as comprising a coiled type liner which may be reduced in outer diameter by torsion to permit it to be inserted in the bore of a bushing retainer or body, and whereby the torsion may then be released to permit the coiled liner to expand and fric-

tionally engage said bore to retain it in operative position.

Claims 1 and 2 of Patent No. 2,744,424 are set forth herein below. Patent No. 2,744,424 appears in the attached Appendix on Pages 41a through 48a.

Claim 1.

1. In a drill guide bushing of the class described adapted for use with a rigid retainer having a smooth bore formed therethrough of uniform diameter from end to end and through which a rotating body is adapted to be projected, a tubular liner for said bore comprising

2. a spirally wound body of flexible, resilient, wear-resisting metal of uniform thickness from end to end,

3. said body being spirally wound to an outside diameter uniform throughout its length and slightly larger than the bore through said retainer;

4. the outside diameter of said spirally wound body being reducible, in response to force, to snugly engage in the bore of said retainer,

5. said windings of said liner, when said liner is positioned in said bore, engaging at opposed edges to form a smooth bore through said liner,

6. the coils of said liner, upon release of the reducing force, moving toward the original outside diameter for frictionally engaging at the periphery the surface of said bore for retaining said liner in fixed relation to said retainer.

Claim 2.

> The structure defined in claim 1 in which the windings of the liner are in a direction opposite to the direction of rotation of the rotating tool projected therethrough.

It will be seen from an inspection of the claims 1 and 2 as set forth above from Patent No. 2,744,424, that the basic invention does not call for any factor of removability or replaceability. The invention lies in the provision of the coiled liner which is made from wear resisting material which can be used in a retainer made of a soft, cheaper material whereby a drill bushing could be made from materials having an overall low cost factor as compared to the prior art drill bushings which were made entirely from more expensive tool steel.

The liner which Petitioner had made in Holly, Michigan, Def's. Exhibit 21, would infringe the above listed claims 1 and 2 of Patent No. 2,744,424 and obviously the invention was thus made by Petitioner before April 1, 1949. As maintained by Petitioner during trial, the only development carried on after the Respondent corporation was formed on April 1, 1949 was to develop a way for making liner bushings incorporating the invention conceived and reduced to practice before April 1, 1949 as evidenced by Def's Exhibits 20 and 21.

The cost of patenting the improvements on the basic invention disclosed in defendant's Exhibit 21 was paid by the Petitioner. Some checks were introduced by the Respondent which covered a part of the cost of the patent attorney's fees, but Swanson said he did not know if these checks were charged back to Petitioner's

account, (J.A. 125). It is uncontradicted that these checks were charged back to Petitioner's account (J.A. 168-170) and the stubs would show the charge back. Petitioner had an account with the company (J.A. 168). The record shows that the sum of approximately $82,000.00 (Dft's Exs. 26 and 28) was contributed by Petitioner to the company. In the Board minutes of October 3, 1956, (Pl. Ex. 22), the Board recognized that Petitioner had over a period of eight years advanced the sum of over $50,000.00 for which stock had never been issued and for which the corporation had never issued a note or notes. Consequently, Petitioner did have an account with the company and Respondent did not carry the burden of disproving that the account did not have a plus balance. From the foregoing it is obvious that Respondent failed to sustain its burden of proof by a preponderance of the evidence (J.A. 221) that Petitioner did not pay for the patents and patent applications involved in this case.

The law is well settled that in the absence of a contract specifically setting out the same that an employer obtains no rights in the invention of an employee. See the following cases. *Detroit Testing Laboratory* v. *Robison*, 221 Mich. 442; 191 N.W. 988; *Gear Grinding Machine Company* v. *Stuber*, 282 Mich. 455; 276 N.W. 514; *Solomons* v. *U. S.*, 137 U.S. 342, 34 L. ed. 667, 11 sup. Ct. 88; *Dalzell* v. *Dueber Watch Case Mfg. Co.*, 149 U.S. 315, 37 L. ed. 749, 13 Sup. Ct. 886; *Gill* v. *U. S.*, 160 U.S. 426, 40 L. ed. 480, 16 Sup. Ct. 322; *U. S.* v. *Dubilier Condenser Corporation*, 289 U.S. 178, 77 L. ed. 1114, 53 S. Ct. 554.

The breach of fiduciary relations does not alone pass title to a patent to an employer. See the case cited

above of *Detroit Testing Laboratory* v. *Robison* which was a Michigan case.

The evidence in the present action shows that the Petitioner brought the basic invention into the corporation under a contract, and that he paid for the improvement patent applications and he contributed much money to the corporation, and yet the District Court has taken away his invention and patent rights without payment for the same. The money which he advanced the company and his stock has been lost because the parties behind this move to take the Petitioner's patents away from him have managed to put the Respondent company into bankruptcy and obtain the assets including the patent rights for $11,293.72. The record of this take-over of the Respondent company's assets is of public record and of which the Court can take judici ' notice. The Respondent company filed a Debtor's Petition for an arrangement under Chapter XI of the Federal Bankruptcy Act on September 12, 1961 in the District Court of the United States for the Eastern District of Michigan under case No. 16662. Under the re-organization plan, the Respondent's stockholders, including the Petitioner, have received nothing for their stock with the exception of the few stockholders who engineered the discharge of the Petitioner from the company and the take-over of the company's assets and patents. The District Court's decision has resulted in a taking away of the Petitioner's property without just compensation therefore and is a clear violation of Petitioner's constitutional rights under the 5th Amendment of the United States Constitution that his property shall not be taken away without just compensation therefor.

Question No. 3

The lower courts failed to apply the Michigan Corporation Statute, Section 47 to the present action and their action is in conflict with the Court of Appeals for the Sixth Circuit which has held that Section 47 does apply to the present type action. The Sixth Circuit Court of Appeals applied Section 47 in the case of *Wolf* v. *Thomas*, Sixth Circuit, 271 Fed. 2d, 634. The arbitrary refusal of the Court of Appeals for the District of Columbia to apply Section 47, the Michigan Corporate Statute, presents a conflict between Courts of Appeals on the same question as to whether or not Section 47 applies to actions against Michigan corporation officers and directors when such an action is not brought within the State of Michigan. Petitioner contends that Section 47 is a substantive law of Michigan and not procedural, and that the Court of Appeals for the District of Columbia should have applied this section in the same manner as the Appeals Court for the Sixth Circuit.

Question No. 4

The Court of Appeals for the District of Columbia erred in upholding the District Court of the District of Columbia that it had local equity jurisdiction over this action and over the party of the Petitioner in view of the applicable decisions of this Court.

The Appeals Court erred in holding that in its earlier decision it had decided all of Petitioner's contentions that the District Court lacked jurisdiction. The first appeal in this action was taken by the Respondent company on the Order of the District Court dismissing the action on the ground of forum non conveniens. Under such circumstances the Appeals Court did not

throughly analyze the jurisdiction of the District Court in the earlier decision. For example, in the earlier decision, the Appeals Court said:

> "We do not decide whether service so made gave the court jurisdiction over the subject matter, for, that question aside, such jurisdiction resides in the common-law equity jurisdiction of our District Court."

Thus it is seen that the Appeals Court did not fully decide the issue of jurisdiction in the earlier decision. At no place in the earlier decision is there found any discussion as to why the District Court had jurisdiction over the subject matter under Section 306, Title 11, D. C. Code 1951 when taken with Section 308, Title 11, D. C. Code in the bringing of this suit by *original process* against a person who was not an inhabitant of, or *found within* the District. The Petitioner appealed on this issue to the Appeals Court and it should have decided this issue so as to give Petitioner due process by way of a full and fair hearing on the issue since it was a pivotal and determinative one.

The Appeals Court erred by not applying the law of *Blaski* v. *Hoffman,* 1960, 363 U.S. 335, 80 S. Ct. 1084, 4 L. Ed. 2d 1254, in view of the aforementioned circumstances. The Blaski case holds that no court in any action acquires jurisdiction either *of the subject matter or of the parties until the action is properly brought in such court.* This case could not be properly brought under either the Patent Laws or the equity jurisdiction of the District Court in view of Section 11-308, Title 11, D. C. Code.

Respondent alleged in its complaint that the District Court had jurisdiction of this action for title to patents

and applications under the Patent Laws, specifically, 28 U.S.C. 1338(a) and 35 U.S.C. 293 (J.A. 4, 5). The complaint did not allege any local jurisdiction under Section 11-306 of the D. C. Code. At the pre-trial of this case Petitioner moved to dismiss the action on the grounds that the District Court had no jurisdiction under the patent laws.

The District Court held a hearing on the motion and held that the question was one of first impression and that service by publication under 35 U.S.C. Section 293 was ineffective and that this case could not be brought within the categories of Federal Jurisdiction based on diversity of citizenship, or that founded on the patent laws. The District Court then erred when it further held that it had jurisdiction over the subject matter of this action under the Court's general local jurisdiction granted by Section 306, Title 11 D. C. Code, and that it had personal jurisdiction over the Petitioner by the filing of the counter-claim for infringement and royalties, and that the counter-claim was not a compulsory counter-claim (J.A. 90). The Court then dismissed the complaint on its own motion on the ground of *forum non conveniens*. On a former appeal by the Respondent in this case, the Appeals Court reversed the District Court and remanded the case for trial (J.A. 96).

In making the decision that it had jurisdiction over the subject matter under Section 306, Title 11, D. C. Code, the District Court failed to take into consideration Section 308, Title 11, of the D. C. Code which limits the jurisdictional basis of Section 11-306. The Petitioner was neither an *inhabitant* of or found *within*, the District of Columbia when this case was *brought* by *original process*. The Petitioner's counter-claim

came after the action was brought. Consequently, Respondent did not have the right as a matter of law to bring this action in the District of Columbia and the District Court did not have jurisdiction over the action, independently of the wishes of the Petitioner. Under these circumstances, it is contended by Petitioner that it was not possible for petitioner to waive his personal jurisdiction. It is contended by the Petitioner that the recasting of the complaint by the District Court, to insert the jurisdictional basis of section 11-306, did not supply the initial jurisdiction over the subject matter which should have been present when the case was commenced in order to support a subsequent waiver of personal jurisdiction by way of a counter-claim. The present case was clearly not properly brought in the District Court under either the Patent Laws or the local general equity jurisdiction and it is contended that the District Court did not acquire jurisdiction over either the subject matter or the Petitioner regardless of the counter-claim. Under the facts in existence in this case when the complaint was filed, the District Court did not have the statutory power to amend the Respondent's complaint to insert Section 306, for jurisdiction over this case. Section 1653, under 28 U.S.C. only gives the Court the statutory power to amend or correct formal defects in the complaint.

Counterclaim

Petitioner's counter-claim did not give the Court jurisdiction over this action because it was not properly brought. The District Court cannot avoid the jurisdictional limitation of Section 11-308, D. C. Code by asserting that there was a waiver of personal jurisdiction under rule 12(h). Jurisdiction where it does not exist under the statute, cannot be conferred on the

Court either by consent of the litigants (*Peoples Bank of Belleville* v. *Calhoun, et al.*, 102 U.S. 256, 260, 26 L. Ed. 101), or through their oversight or inaction. Only Congress can enlarge the Court's jurisdiction. *United States* v. *Sherwood*, 312 U.S. 584, 589-590, 61 S. Ct. 767, 85 L. Ed. 1085. See also Rule 82.

The Appeals Court erred in not analyzing Petitioner's counterclaim to determine if it was or was not a compulsory counterclaim. In its earlier decision, the Appeals Court did not decide this issue but merely said

> "The District Court thought that the counterclaim was permissive."

This issue is important because the District Court deemed that Petitioner had waived objection to service of process as well as any objection to jurisdiction over the person by asking for affirmative relief on the counterclaim. The District Court said

> "It should be noted in passing that the counterclaim was not one of a compulsory nature under Rule 13(a) of the Federal Rules of Civil Procedure. The defendant must therefore be deemed to have waived any objection to jurisdiction over the person."

It is thus seen that the District Court based the alleged waiver of lack of jurisdiction over the person on the basis that the counterclaim was not a compulsory counterclaim and was permissive. This is the reason why it is important to determine whether or not the counterclaim was compulsory. The filing of an answer did not in itself cause such a waiver as the District Court held when it said.

> "Unlike the practice that prevailed previously, objections to service of process are not waived by answering to the merits, Rule 12(h)."

This issue is a pivotal and determinative issue because the filing of a compulsory counterclaim under the rules is not a voluntary act and is not a voluntary submission to the court's jurisdiction. As stated by this Court in the case of *Southern Construction Company, Inc. et al.* v. *U. S. for the use of Samuel J. Pickard*, 371 U.S. 57, 9 L. ed. 2d 31, 83 S. Ct. 108, Decided November 5, 1962,

> "The requirement that counterclaims arising out of the same transaction or occurrence as the opposing party's claim "shall" be stated in the pleadings was designed to prevent multiplicity of actions and to achieve resolution in a single lawsuit of all disputes arising out of common matters. The Rule was particularly directed against one who failed to assert a counterclaim in one action and then instituted a second action in which that counterclaim became the basis of the complaint."

Furthermore, there is only one way to present a compulsory counterclaim as required by Rule 13(a) and that is in a *pleading*. See *Lawhorn* v. *Atlantic Refining Company* (1962), 5th Cir. 299 F. 2d 353 on this point. Accordingly, if Petitioner's counterclaim was compulsory as contended, the only way to present it was by a *pleading*, an answer with a counterclaim.

Counterclaim Arose From Same Transaction

The Petitioners's counter-claim was filed in his answer to the complaint and it was a compulsory counterclaim because it arose from the *same transaction or occurrence* from which the Respondent's alleged claim for title to patents arose, namely, Petitioner's relationship with Respondent, including the invention, development, manufacture and sale of drill bushings disclosed in said patents, and, it is this same transaction

or relationship which Petitioner had to rely on to prove his title to the patents as an element of his counter-claim. The Petitioner's counter-claim also grew out of said relationship between the parties. In the present case there exists an anomaly.

The District Court ruled that the Petitioner's counter-claim was not a compulsory counter-claim under Rule 13(a), and so it would have to be permissive. Accordingly, there should be independent grounds of jurisdiction to hear the counter-claim. The counter-claim would not be ancillary to the Respondent's main action. However, the District Court did hear the counterclaim, and the Respondent company conceded inventorship and infringement of claims 1 and 2 of patent No. 2,744,424. Petitioner contends that the District Court by hearing the counterclaim and taking testimony thereon admitted jurisdiction over the counterclaim under the ancillary jurisdiction of the main action, and so the appellant's counterclaim has to be a compulsory counterclaim. Under the facts and circumstances of this case Petitioner could only maintain his counterclaim on the basis of a compulsory counterclaim under Rule 13(a). On the matter of a counterclaim's jurisdiction see also the case of *Isenberg* v. *Biddle*, 75 U.S. App. D.C. 100, 125 F. 2d 741.

Petitioner had no notice or chance to be heard before Answer and counterclaim regarding the alleged jurisdiction under Section 11-306. Petitioner contends that the recasting of the jurisdictional allegation in the complaint by the District Court created a retroactive waiver of personal jurisdiction on the part of Petitioner because the District Court went a step further and held that the Petitioner's counterclaim was not a compulsory counterclaim (J.A. 93). The doc-

trine of retroactive waiver of personal jurisdiction has been disapproved by the United States Supreme Court in affirming the *Blaski* v. *Hoffman* case since this doctrine was discussed in that case relative to Section 1404(a), 28 U.S.C. at page 323, 260 F. 2d 317.

While a person may waive rights guaranteed by the Constitution this Court has said that " 'courts indulge every reasonable presumption against waiver' of fundamental constitutional rights" and do not presume acquiescence in the loss of such rights. *Johnson* v. *Zerbst*, 304 U.S. 458, at 464, 58 S. Ct. 1019, 82 L. Ed. 1461.

In view of the foregoing, it is contended that the Court of Appeals erred in affirming the decision of the District Court that it had jurisdiction over this action. Furthermore, in so affirming the alleged jurisdiction, the Petitioner's constitutional rights of procedural due process under the 5th Amendment were taken away because of the retroactive waiver as set forth hereinabove. This Court should re-examine the evidential basis on which the District Court held that it had jurisdiction. It is well settled that in any case in which there is a claim of denial of rights under the federal constitution an appellate court is not bound by the conclusions of the lower courts or of juries but will re-examine the evidential basis on which those conclusions are founded. *Napue* v. *Illinois*, 360 U.S. 264, 271, 79 S. Ct. 1173, 3 L. Ed. 2d 1217.

CONCLUSION

Wherefore, it is respectfully submitted that this petition be granted and writ of certiorari be issued accordingly.

Respectfully submitted,

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March 29, 1963.

APPENDIX

APPENDIX

Statutes Involved

28 U.S.C., Section 1254. Courts of appeals; certiorari; appeal; certified questions.

"Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

"(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;"

28 U.S.C., Section 1338. Patents, copyrights, trademarks, and unfair competition.

"(a) The district courts shall have original jurisdiction of any civil action arising under an Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

"(b) The district court shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws."

28 U.S.C., Section 1400. District Courts. Venue. Patents.

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringment and has a regular and established place of business.

28 U.S.C., Section 1652. State laws as rules of decision.

The laws of the several states, except where the Constitution or treaties of the United States or Acts of Congress otherwise require or provide, shall be regarded as rules of decision in civil actions in the courts of the United States, in cases where they apply. June 25, 1948, c. 646, 62 Stat. 944.

28 U.S.C., Section 1653. Amendment of pleadings to show jurisdiction.

Defective allegations of jurisdiction may be amended, upon terms, in the trial or appellate courts. June 25, 1948, c. 646, 62 Stat. 944.

28 U.S.C., Section 2201. Creation of Remedy.

"In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such."

35 U.S.C., Section 293. Nonresident patentee; service and notice.

Every patentee not residing in the United States may file in the Patent Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.

Fed. Rules Civ. Proc. Rule 12(h). Waiver of Defenses.

A party waives all defenses and objections which he does not present either by motion as hereinbefore

provided or, if he has made no motion, in his answer or reply, except (1) that the defense of failure to state a claim upon which relief can be granted, the defense of failure to join an indispensable party, and the objection of failure to state a legal defense to a claim may also be made by a later pleading, if one is permitted, or by motion for judgment on the pleadings or at the trial on the merits, except (2) that, whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter, the court shall dismiss the action. The objection or defense, if made at the trial, shall be disposed of as provided in Rule 15(b) in the light of any evidence that may have been received. As amended Dec. 27, 1946, effective March 19, 1948.

Fed. Rules Civ. Proc. Rule 13. Counterclaim and Cross-Claim.

(a) Compulsory Counterclaims. A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the *transaction or occurrence* that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction, except that such a claim need not be so stated if at the time the action was commenced the claim was the subject of another pending action. As amended Dec. 27, 1946, effective March 19, 1948. (Emphasis added.)

Fed. Rules Civ. Proc. Rule 17. Parties Plaintiff and Defendant; Capacity.

(b) Capacity to Sue or Be Sued:

The capacity of an individual, other than one acting in a representative capacity, to sue or be sued shall

be determined by the law of this domicile. The capacity of a corporation to sue or be sued shall be determined by the law under which it was organized. In all other cases capacity to sue or be sued shall be determined by the law of the state in which the district court is held, except (1) that a partnership or other unincorporated association, which has no such capacity by the law of such state, may sue or be sued in its common name for the purpose of enforcing for or against it a substantive right existing under the Constitution or laws of the United States, and (2) that the capacity of a receiver appointed by a court of the United States to sue or be sued in a court of the United States is governed by Title 28, U. S. C., 754 and 959(a). As amended Dec. 27, 1946, and Dec. 29, 1948, effective Oct. 20, 1949.

Fed. Rules Civ. Proc. Rule 82. Jurisdiction and Venue Unaffected.

These rules shall not be construed to extend or limit the jurisdiction of the United States district courts or the venue of actions therein. As amended Dec. 29, 1948, effective Oct. 29, 1949.

Mich. C.L. 1948, Section 450.87. Failure to file report; suspension of powers, liability of director or trustee.

(1) If any corporation neglects or refuses to make and file the reports and/or pay any fees required by this act within the time herein specified, and shall continue in default for ten days thereafter, unless the secretary of state shall for good cause shown extend the time for the filing of such report or the payment of such fee, as the case may be, as provided in section ninety-one of this act, and

(2) if such corporation shall continue in default for ten days after the expiration of such extension, its

corporate powers shall be suspended thereafter, until it shall file such report, and it shall not maintain any action or suit in any court of this state upon any contract entered into during the time of such default; but nothing herein contained shall prevent the enforcement of such contract against the corporation by the other party thereto, and during the period of such suspension such corporation may exercise the power of disposing of and conveying its property and may settle and close its business. Any officer or officers of such corporation so in default who has neglected or refused to join in making of such report and/or pay such fee shall be liable for all debts of such corporation contracted during the period of such neglect or refusal.

Mich. C.L. 1948, Section 450.91. Failure to file report and/or pay fee; charter void; profit corporation; extension of time.

If any profit corporation which has heretofore been, is now or may hereafter be required to file its annual report with and pay a privilege fee to the secretary of state, shall for two consecutive years neglect or refuse to file such report and/or to pay such fee, the charter of such corporation shall be absolutely void, without any judicial proceedings whatsoever, and such corporation shall be wound up in any manner provided by this act unless the secretary of state shall for good cause shown extend the time for the filing of such report or the payment of such fee as the case may be. In case of extension of time as provided in this section the secretary of state shall file in his office a certificate showing the length of time granted by such extension: Provided, That in no case shall the total extension of time granted be more than one year: And provided further, That such extension of time shall be granted prior to the expiration of the time fixed in section

eighty-two of this act. The provisions of this act are hereby declared to be self-executing.

Mich. C.L. 1948, 450.47. Directors; as fiduciaries and trustees. (MSA 21.47)

Sec. 47. Directors; as fiduciaries and trustees. The directors of every corporation, and each of them in the management of the business, affairs, and property of the corporation, and in the selection, supervision and control of its committees and of the officers and agents of the corporation, *shall give the attention and exercise the vigilance, diligence, care and skill, that prudent men use in like or similar circumstances.*

Action may be brought by the corporation, through or by a director, officer, or shareholder, or a creditor, or receiver or trustee in bankruptcy, or by the attorney general of the state, on behalf of the corporation against *1 or more of the delinquent directors, officers, or agents,* for the violation of, or failure to perform, the duties above prescribed or any duties prescribed by this act, whereby the corporation has been or will be injured or damaged, *or its property lost, or wasted, or transferred to 1 or more of them, or to enjoin a proposed, or set aside a completed unlawful transfer of the corporate property to one knowing the purpose thereof.* The foregoing shall in no way preclude or affect any action any individual shareholder or creditor or other person may have against any director, officer, or agent for any violation of any duty owned by them or any of them to such shareholder, creditor, or other person. No director or directors shall be held liable for any delinquency under this section after 6 years from the date of such delinquency is discovered by one complaining thereof, whichever shall sooner occur. (Emphasis added.)

D. C. Code, Title 11, Section 306.

"Said court (except as otherwise provided in this title) shall have cognizance of all crimes and offenses committed within said district and of all cases in law and equity between parties, both or either of which shall be resident or be found within said district and also of all actions or suits of a civil nature at common law or in equity, in which the United States shall be plaintiffs or complainants; and of all seizures on land or water, and all penalties and forfeitures made, arising or accruing under the laws of the United States."

D. C. Code, Title 11, Section 308.

"No action or suit shall be brought in the District Court of the United States of the District of Columbia by original process against any person who shall not be an inhabitant of, or found within, the District."

Title 12, Section 201, D. C. Code Annotated, Limitations of Actions.

No action shall be brought * * * upon any simple contract, express or implied, or for the recovery of damages for any injury to real or personal property, or for the recovery of personal property or damages for its unlawful detention after 3 years from the time when the right to maintain such action shall have accrued; * * * and no action, the limitation of which is not otherwise especially prescribed in this section shall be brought after 3 years from the time when the right to maintain such action shall have accrued.

Title 13, Section 108, D. C. Code Annotated, Publication as to non-resident, those absent for six months, unknown heirs or devisees, for divorce or proceeding in rem—Actual service beyond District.

Publication may be substituted for personal service of process upon any defendant who cannot be found and who is shown by affidavit to be a non-resident, or to have been absent from the District for at least six months, or against the unknown heirs or devisees of deceased persons, in suits for partition, divorce, annulment, by attachment, foreclosure of mortgages and deeds of trust, the establishment of title to real estate by possession, the enforcement of mechanics' liens, and all other liens against real or personal property within the District, and in all actions at law and in equity which have for their immediate object the enforcement or establishment of any lawful right, claim or demand to or against any real or personal property within the jurisdiction of the court.

Personal service of process may be made by any person not a party to or otherwise interested in the subject-matter in controversy on a non-resident defendant out of the District of Columbia, which service shall have the same effect and no other as an order of publication duly executed. In such case the return must be made under oath in the District of Columbia, unless the person making the service be a sheriff or deputy sheriff, a marshal or deputy marshal, authorized to serve process where service is made, and such return must show the time and place of such service and that the defendant so served is a non-resident of the District of Columbia. The cost and expense of such service of process out of the District of Columbia shall be borne by the party at whose instance the same is made and shall not be taxed as a part of the costs in the case; but where such service of process is made by same authorized officer of the law in this section mentioned, the actual and usual cost of such service of process shall be taxed as a part of the costs in the case. (Mar. 3, 1901, 31 Stat. 1206, ch. 854, § 105; Apr. 19, 1920, 41 Stat. 556, ch. 153; June 20, 1949, 63 Stat. 214, ch. 230.)

United States Constitution, Amendment V—Due Process; Just Compensation for Property.

"* * * nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation."

United States Constitution, Amendment XIV — Equal Protection.

"Section 1. * * * nor deny to any person within its jurisdiction the equal protection of the laws."

Opinion of District Court

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civil Action No. 1033-58

NORTH BRANCH PRODUCTS, INC., *Plaintiff*,

v.

W. REUEN FISHER, *Defendant*.

Robert G. Mentag, of Detroit Michigan; and Albert W. Rinehart, of Washington, D. C., for the defendant, for the motion.

J. Harold Kilcoyne, of Washington, D. C., for the plaintiff, opposed.

This case is before the Court on a motion by the defendant to quash service of the summons on him, and to dismiss the action for lack of jurisdiction over the subject matter.

The complaint alleges that the plaintiff is a Michigan corporation having its offices and manufacturing plant at

Millington, Michigan, and that the defendant is a resident of the Province of Alberta, Canada. The action is brought for a declaratory judgment to adjudicate that certain letters patent of the United States and certain patent applications are owned by and are the sole property of the plaintiff and not of the defendant. In other words, the action relates to title to patents and patent applications. Service of the summons on the defendant was had by publication, pursuant to 35 U. S. C. § 293, which reads as follows:

> "Every patentee not residing in the United States may file in the Patent Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, *the United States District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication* or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court." [Emphasis supplied.]

It will be observed that by the foregoing provision the United States District Court for the District of Columbia is granted jurisdiction over "proceedings affecting the patent or rights thereunder", if the patentee does not reside in the United States and, in that event, the summons may be served by publication. It is argued in behalf of the defendant that this action, not being one under the patent laws, is not within the purview of Section 293 and that, therefore, this Court is without jurisdiction of the subject matter; and further that the provision as to service of process by publication is not applicable. Concededly, this is not a suit under the patent laws within the meaning

of the Constitutional provision authorizing the Congress to grant patents to inventors.[1] Under this clause Congress has conferred upon the United States District Courts original jurisdiction of any civil action arising under any Act of Congress relating to patents.[2] This jurisdiction is limited to actions for infringement of patents and actions for declaratory judgment involving validity or infringement of patents. It does not extend to contracts or other matters merely because the subject involved happens to be a patent.[3]

Neither can jurisdiction be sustained in the case at bar on the ground of diversity of citizenship. While it is alleged that the defendant is a resident of Alberta, Canada, it is not averred that he is a citizen of Alberta, Canada. So too, there is an absence of any allegation as to the jurisdictional amount.

It is argued in behalf of the plaintiff that 35 U. S. C. § 293, which has been quoted above, is not limited to actions under the patent laws, but should be construed as being broad enough to comprehend any suit if its subject matter is a patent. In support of this contention, counsel for the plaintiff points to the words, "proceedings affecting the patent or rights thereunder". It is argued that the words, "affecting the patent or rights thereunder" have a much broader scope than covering merely actions for infringement or declaratory judgments involving validity or infringement. It is argued that they extend to any suit which directly affects patents, such as actions involving a title to a patent, as is the case here. If the words are taken literally, there is considerable basis for the construction urged by the plaintiff. On the other hand, the words are

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[1] Constitution, Article I, Section 8, clause 8.

[2] 28 U. S. C. § 1338(a).

[3] *Wade* v. *Lawder*, 165 U. S. 624.

somewhat vague and indefinite. They cannot be said to be so clear and unambiguous as not to require interpretation.

The Section in its present form was new in the codification of the patent laws of 1952. Neither the legislative history nor the Committee Reports throw any light on the question here presented. It is a matter of novel impression. The fact that the Section is included in the codification of laws relating to patents would seem to lead to the conclusion that the Section should be construed as being limited to actions under the patent laws, rather than extended to all actions affecting patents generally. Another reason for adopting this construction is that otherwise a Constitutional question would arise. It is a well known principle of statutory construction that everything else being equal, an interpretation of a statute should be adopted that would avoid a Constitutional question rather than one that may require its determination. The Constitutional question that would be lurking here is a possible lack of any Constitutional basis for jurisdiction either over the subject matter or over the person, if such a suit were not brought either under the patent laws or under the provision relating to diversity of citizenship. Obviously it would be inappropriate and certainly unnecessary to decide this question on this occasion. Suffice it to point out that a debatable question exists and that, therefore, following the accepted rules of statutory interpretation, if possible the statute should be so construed as to avoid this pitfall. The Court concludes that the phrase "proceedings affecting the patent or rights thereunder" contained in 35 U. S. C. § 293, should be construed as synonymous with "actions under the patent laws of the United States" and, therefore, should be limited and restricted to actions for infringement of patents and actions for declaratory judgments to adjudicate the validity or infringement of patents. Since the case at bar is not within this group, Section 293 does not apply to it and hence service by publication under that Section was ineffective.

The situation is complicated, however, by the fact that the defendant has filed an answer in which, in addition to pleading to the merits, he interposed a counterclaim. Under the present Federal procedure insufficiency of service of process may be raised either by motion or by an affirmative defense in the answer, Rule 12(b) of the Federal Rules of Civil Procedure. Unlike the practice that prevailed previously, objections to service of process are not waived by answering to the merits, Rule 12(h). As indicated, however, in this instance the defendant went beyond pleading to the merits, but actually invoked the jurisdiction of the Court by asking for affirmative relief on a counterclaim. By so doing the defendant submitted himself to the jurisdiction of this Court. It should be noted in passing that the counterclaim was not one of a compulsory nature under Rule 13(a) of the Federal Rules of Civil Procedure. The defendant must, therefore, be deemed to have waived any objection to service of process, as well as any objection to jurisdiction over the person.

As has been indicated above, this case cannot be brought within the categories of Federal jurisdiction based on diversity of citizenship, or that founded on the patent laws. Every United States District Court, however, is a court of general original jurisdiction in respect to cases and controversies arising within Federal areas, or Federal reservations as they are technically known, that are geographically located within the district for which the court sits.[4] Since the entire District of Columbia is a Federal

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[4] Constitution, Article I, Section 8, paragraph 17, provides in enumerating the powers of the Congress, that the Congress shall have power * * *:

> "To exercise exclusive legislation in all Cases whatsoever, over such District (not exceeding ten Miles square) as may, by Cession of particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the same shall be, for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings; * * *"

area, this Court has been given general jurisdiction over cases and controversies between parties, "both or either of which shall be resident or be found within said district * * *" D. C. Code, 1951, Title 11, Section 306.

The present action is a suit in equity *in personam* to adjudicate title to patents. Consequently it cannot be successfully contended, as the defendant tries to do, that this Court has no jurisdiction over the subject matter. If the suit may be maintained, however, this must be done under the local jurisdiction of this Court. The doctrine of *forum non conveniens*, however, then comes into play. The plaintiff is a corporation organized and existing under the laws of Michigan and having its office and place of business in that State. It has no contact whatsoever with the District of Columbia. The defendant is a resident of Alberta, Canada. It does not appear that he is a citizen or a resident of the District of Columbia, or even of the United States. There is no showing that the cause of action arose in this district, and manifestly it did not. This is a case in which clearly the Court should of its own motion invoke the doctrine of *forum non conveniens* and decline to accept jurisdiction of the cause.

The action is dismissed on the ground of *forum non conveniens.*

/s/ ALEXANDER HOLTZOFF,
United States District Judge.

January 6, 1960.

Opinion of Court of Appeals

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 15663

NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, of Millington, Michigan, *Appellant*,

v.

W. REUEN FISHER, Village of Entrance, Alberta, Canada, *Appellee*.

Appeal from the United States District Court for the District of Columbia

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Decided November 17, 1960

Mr. Albert A. Smith, of the bar of the Supreme Court of Michigan, *pro hac vice*, by special leave of court, with whom *Mr. J. Harold Kilcoyne* was on the brief, for appellant.

Mr. Robert G. Mentag, with whom *Mr. Albert W. Rinehart* was on the brief, for appellee.

Before MR. JUSTICE REED, retired,* and FAHY and WASHINGTON, *Circuit Judges*.

FAHY, *Circuit Judge:* The case comes to us on appeal from an order of the District Court dismissing the complaint of the plaintiff-appellant, on motion of the defendant-appellee. The dismissal was on the ground of forum non conveniens.

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* Sitting by designation pursuant to Sec. 294 (a), Title 28, U. S. Code.

By the complaint appellant sought primarily a declaratory judgment that it owned certain United States patents[1] issued to appellee and certain patent applications pending in his name. The patents and applications relate generally to drill bushings, arbors, bearings and like items. The complaint alleges that appellant is a Michigan corporation, with offices and manufacturing plant in that state, and that appellee at material times has been a stockholder, director, secretary-treasurer, and general manager of the corporation in charge of manufacture and sale of said items and in charge also of research, development, and engineering. It is further alleged that the work of appellee in connection with the patents and applications was performed in the course of his employment by appellant, with materials purchased by it, and that the expense of obtaining the patents was paid from appellant's funds. Appellant claims to be the sole owner of the patents.

The complaint places appellee's residence as the Village of Entrance, in the Province of Alberta, Canada, and alleges that appellee has not filed a written designation in the United States Patent Office stating the name and address of the person residing in the United States on whom may be served process affecting the patents and other rights described. Affidavit was filed as to appellee's nonresidence in the District of Columbia and his absence therefrom at least six months, leading to service upon him by publication under the provisions of 13 D. C. Code § 108 (1951), read with 35 U.S.C. § 293 (1958), *infra* note 5.

On July 18, 1958, appellee filed an answer on the merits and a counterclaim for infringement and for royalties, and on November 30, 1959, moved to dismiss on the ground the District Court lacked jurisdiction of the subject matter and of the person of appellee.

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[1] The patents referred to are Nos. 2,766,084, 2,744,424, 2,737,425, 2,766,083 and 2,543,840.

The District Court sustained its jurisdiction of the subject matter, and held that by interposing a counter-claim, which the court found to be permissive in nature, appellee had submitted himself to the jurisdiction of the court. The court, however, sua sponte dismissed appellant's complaint, under the doctrine forum non conveniens.[2]

The reasons given to support the dismissal fail to take account sufficiently of several factors which lead us to conclude the court erred. Surely it would not be more convenient for appellant to sue appellee in Alberta, Canada, the place of his residence. Alberta is as distant from Michigan, the state of appellant's incorporation and the location of its offices and manufacturing plant, as is the District of Columbia. It is a foreign jurisdiction and cannot be considered a more suitable or convenient forum in which to require the rights of the parties to be determined. There is no certainty a Canadian court would be compelled to assume jurisdiction of an action filed there by a non-Canadian citizen. We do not decide the question, but its existence adds weight to the argument against the dismissal here. "[U]nless the balance is strongly in favor of the defendant, the plaintiff's choice of forum shall rarely be disturbed." *Gulf Oil Corp.* v. *Gilbert*, 330 U.S. 501, 508.[3]

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[2] The opinion of the District Court states:

> The plaintiff is a corporation organized and existing under the laws of Michigan and having its office and place of business in that State. It has no contact whatsoever with the District of Columbia. The defendant is a resident of Alberta, Canada. It does not appear that he is citizen or a resident of the District of Columbia, or even of the United States. There is no showing that the cause of action arose in this district, and manifestly it did not.

[3] See also *Ford Motor Co.* v. *Ryan*, 182 F. 2d 329 (2d Cir. 1950), *cert. denied*, 340 U. S. 851, where it is stated that "a defendant has the burden of making out a strong case for a transfer and • • • that the plaintiff's privilege, conferred by statute, of choosing the forum he selected is a factor to be considered • • • ". 182 F. 2d at 330. And see *Wiren* v. *Laws*, 90 U. S. App. D.C. 105, 194 F. 2d

It will not do to send appellant off to Alberta to litigate there, however pleasant the sojourn in Canada might be.

It is urged that Michigan, if not Canada, is a more convenient forum. It does have some conveniences, see note 2 *supra*, but a substantial obstacle stands in the way of requiring the action to be pursued there rather than permitting it to be pursued here, namely, the uncertainty of appellant's ability to obtain jurisdiction over appellee, who, though a citizen of Michigan, is a resident of Alberta. As the District Court said, the action "is a suit in equity *in personam* to adjudicate title to patents," and, we add, to patent applications. The parties are agreed as to to this characterization of the action, and we also agree. It can hardly be said that Michigan furnishes a more convenient forum than the District of Columbia when, insofar as we are advised, jurisdiction over appellee cannot be obtained in Michigan. No res of the litigation is there, nor is appellee; and constructive service may not be available. In *Stewart* v. *Eaton*, 287 Mich. 466, 477, 283 N.W. 651, 655 (1939), it is said:

> To secure personal jurisdiction over non-residents, a personal service beyond the limits of the State is equally ineffective as is constructive service by publication. The process of a court runs legally only within the limits of its jurisdiction and it is only by service made within those limits that a right

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873. It is also to be remembered that forum non conveniens differs from a transfer under 28 U. S. C. § 1404(a) (1958), a more stringent showing being required for the former. *Norwood* v. *Kirkpatrick*, 349 U. S. 29, quoting from *All States Freight, Inc.* v. *Modarelli*, 196 F. 2d 1010, 1011 (3rd Cir. 1952):

> The *forum non conveniens* doctrine is quite different from Section 1404(a). That doctrine involves the dismissal of a case because the forum chosen by the plaintiff is so completely inappropriate and inconvenient that it is better to stop the litigation in the place where brought and let it start all over again somewhere else.

> to recognize a personal judgment against a non-resident without his consent is acquired.

And see 1 *Callaghan's Michigan Pleading & Practice* § 16.85, at 463 (1946).

As stated in *Gulf Oil*, "In all cases in which the doctrine of *forum non conveniens* comes into play, it presupposes at least two forums in which the defendant is amenable to process; the doctrine furnishes criteria for choice between them."[4] Assuming jurisdiction in our District Court, there is no clear choice of another forum where appellee's is amenable to process.

The question remains whether jurisdiction resides in our District Court. As to this we agree with the court that jurisdiction was acquired over both subject matter and appellee.

As to subject matter the action, as we have seen, is one to determine the title or ownership, as between the corporate appellant and the individual appellee, of patents held in the latter's name and certain pending applications. Deeming the action to be one in which service on a non-resident patentee could be made under 35 U.S.C. § 293,[5]

[4] 330 U. S. at 506-07.

[5] That section reads:

> Every patentee not residing in the United States may file in the Patent Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.

plaintiff attempted such service. We do not decide whether service so made gave the court jurisdiction over the subject matter, for, that question aside, such jurisdiction resides in the common-law equity jurisdiction of our District Court. Both section 293 and 28 U.S.C. § 1338 (1958), the latter now set forth in the margin,[6] are special grants of jurisdiction in the area of patents, copyrights, and trademarks, which leave unimpaired the underlying jurisdiction in equity which encompasses the present case. See *Pang-Tsu Mow* v. *Republic of China*, 91 U.S. App. D.C. 324, 201 F.2d 195, *cert. denied*, 345 U.S. 925, and cases cited. *Cf. King* v. *Wall & Beaver St. Corp.*, 79 U.S. App. D.C. 234, 145 F.2d 377.[7]

As to jurisdiction of the person, the defendant-appellee filed an answer and counterclaim for royalties and infringement, unaccompanied by any objection to jurisdiction. He thus submitted to the jurisdiction of the court. Many months later he filed a motion to dismiss "For Lack of Jurisdiction Over the Subject Matter," having come to the conclusion that section 1338, applicable to an action arising under the patent laws, did not apply, and that section 293 "does not give the court personal jurisdiction over the defendant," nor over the subject matter. But the court had

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[6] Section 1338 reads:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws.

[7] The fact that the complaint alleges jurisdiction over the subject matter under 28 U. S. C. § 1338, is immaterial if, as we think is true, the allegations bring the case within the equity jurisdiction of the court aside from that provision.

already obtained personal jurisdiction over defendant by his previously filed answer and counterclaim. By the latter he sought affirmative relief and thus invoked the court's jurisdiction.[8] Appellee urges to the contrary that the counterclaim was compulsory under Rule 13(a), that is, had to be asserted when filed or be lost, since it arose out of the transaction or occurrence that was the subject matter of the complaint, and did not require the presence of a third party. It is said to follow that the answer and contemporaneously filed counterclaim did not operate to bring appellee within the District Court's jurisdiction. The District Court thought that the counterclaim was permissive. Whether or not is immaterial, for even if compulsory appellee was not compelled to pursue it unless served properly and could have filed a motion to quash the service attempted in reliance upon section 293. Rule 12(b) allows a challenge to jurisdiction of the person to be made by motion prior to the filing of an answer or counterclaim. Thus, were the counterclaim compulsory it need not have been asserted immediately but could await, without being lost, the disposition of a motion to dismiss for lack of jurisdiction over the person. See *Beaunit Mills, Inc.* v. *Industrias Reunidas F. Matarazzo, S.A.*, 23 F.R.D. 654 (S.D. N.Y. 1959). If the motion were granted appellee would have been under no compulsion to file a counterclaim. Were the motion denied the objection to service could have been reasserted on appeal and if then sustained the interim

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[8] *Freeman* v. *Bee Machine Co.*, 319 U. S. 448, 453; *Merchants Heat & Light Co.* v. *J. B. Clow & Sons*, 204 U. S. 286; *Kincaide* v. *Jeffery-De Witt Insulator Corp.*, 242 F. 2d 328 (5th Cir. 1957); *Hadden* v. *Rumsey Prods.*, 196 F. 2d 92 (2d Cir. 1952); *Beaunit Mills, Inc.* v. *Industrias Reunidas F. Matarazzo, S. A.*, 23 F. R. D. 654 (S. D. N. Y. 1959); *Noerr Motor Freight* v. *Eastern R. R. Presidents Conference*, 155 F. Supp. 768, 838 (E. D. Pa. 1957); *Hook & Ackerman, Inc.* v. *Hirsch*, 98 F. Supp. 477 (D. D. C. 1951). But, where the objection to service is filed with answer which includes counterclaim, see *Keil Lock Co., Inc.* v. *Earle Hardware Mfg. Co.*, 16 F. R. D. 388 (S. D. N. Y. 1954).

filing of the counterclaim would not have waived the objection.

Appellee, having submitted voluntarily to jurisdiction over the person by the pleadings he filed,[9] could not thereafter avoid the consequence by retracting.

Reversed and remanded.

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[9] We do not find it necessary to discuss an alternate ground for deeming appellee to have waived his jurisdictional objection, that is, by answering to the merits and then later challenging jurisdiction of the person. The counterclaim aside, appellee could properly have joined his answer with a motion to dismiss without waiving the latter, but under Rule 12(h) the defense of lack of jurisdiction of the person is waived if not raised by motion before answer or with the answer, because of defendant's failure to assert the defense within the time prescribed by that Rule. See *Ginn* v. *Biddle*, 60 F. Supp. 530 (E. D. Pa. 1945); *Bogar* v. *Ujlaki*, 8 Fed. Rules Serv. 12h.1, Case 2 (W. D. Pa. May 8, 1945).

Order Denying Petition for Rehearing

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 15,663

NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, of Millington, Michigan, *Appellant*,

v.

W. REUEN FISHER, Village of Entrance, Alberta, Canada, *Appellee*.

Before: Mr. Justice Reed, sitting by designation, and Fahy and Washington, Circuit Judges, in Chambers.

September Term, 1960

Upon consideration of appellee's petition for rehearing, it is

Ordered by the court that the petition for rehearing is denied.

Per Curiam.

Dated: December 7, 1960.

Order Granting Motion to Stay Mandate

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 15,663

NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, of Millington, Michigan, *Appellant*,

v.

W. REUEN FISHER, Village of Entrance, Alberta, Canada, *Appellee*.

September Term, 1960

It is ordered that appellee's motion to stay the mandate and transmission of opinion and the certified copy of the judgment for a period of 30 days pending application for certiorari is granted pursuant to Rule 31(k)(2) of this court.

For the Court,

JOSEPH W. STEWART, *Clerk*.

By: WILLIAM G. SECREST,
Chief Deputy Clerk.

Dated: December 20, 1960.

Petition for Certiorari Denied

No. 647

W. Reuen Fisher, *Petitioner*,

v.

North Branch Products, Inc.

365 US 827, 5 L ed 2d 705, 81 S Ct 713.

February 27, 1961. Petition for Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit, denied.

Opinion of District Court After Trial on the Merits

(Filed June 26, 1961)

This cause having come on for trial by the Court without a jury, and having been fully heard, and been argued by counsel for the parties, the Court, this 26th day of June, 1961, makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Plaintiff, North Branch Products, Inc. is a corporation organized and existing under the laws of the State of Michigan, and has its principal place of business at Millington, Michigan.

2. Defendant, W. Reuen Fisher, is a citizen of the United States, residing in Alberta, Canada.

3. Plaintiff is engaged almost exclusively in the manufacture for sale and in selling through a wholly owned subsidiary, Revere Fisher Manufacturing Company, a line of drill guide bushings characterized by a usually replaceable helical coil type insert or liner, as described and

claimed in one or more letters patents, No. 2,766,084, No. 2,744,424, No. 2,737,425, No. 2,852,322, and No. 2,766,083, all issued to the defendant. The circumstances under which the plaintiff became thus engaged are as related in the following paragraphs.

4. In the early part of 1949, the defendant approached Dr. E. C. Swanson, a medical doctor, and suggested the acquisition of the facilities of the existing North Branch Products, Inc. and using them to manufacture and sell what defendant described as a revolutionary type of drill guide bushing which defendant represented to Swanson he had invented and had ready for the market and as represented by patent applications theretofore filed by him. Swanson in turn interested Dr. Edward L. Grimm, an educator, in the venture, and later, other persons. Thereupon and by the end of March, 1949, defendant secured the assignment of the outstanding stock of North Branch Products, Inc. to himself as trustee for the initial investors, and purchased machinery from funds supplied by himself, Dr. Swanson and others.

5. Preliminary and incident to the acquisition of all of the shares of stock in the corporation, it was agreed between defendant and Swanson that defendant would be compensated for use of his invention on a royalty basis of one per cent of the gross sales of the company, or a minimum of $500.00 per month and a maximum of $1500.00 per month with a charge-back for any salaries paid to defendant.

6. Following the acquisition of the stock of the plaintiff, the first shareholders meeting of the reorganized company was held on April 1, 1949 at which Swanson was elected President, Grimm as Vice President, and Fisher as Secretary-Treasurer.

7. Thereafter, on April 5, 1949, a written agreement prepared by defendant and submitted by him to Swanson was executed under which defendant licensed to the

corporation the exclusive use, right and benefit of patent applications filed by defendant in April, 1948, November, 1948 and December, 1949, upon the same royalty basis as indicated in paragraph 5 above. Actually, there were only two applications which had been filed by defendant. The first was filed December 22, 1948 and was finally rejected by the U. S. Patent Office on January 30, 1952 and abandoned. The second matured as patent No. 2,543,840 issued March 6, 1951, and related to a locking device for a solid steel bushing but had no commercial value.

8. Upon acquisition of control of plaintiff and at all times thereafter up until April 17, 1957, defendant was a principal stockholder, director and officer of the corporation. He was in sole charge of all phases of manufacture and sales of drill guide bushings and also was in sole charge of experimentation, research and engineering with respect to development of said bushings. At various times until termination of his office as General Manager on April 17, 1957, he held the title of Secretary-Treasurer and General Manager. He was the only person connected with either plaintiff or its subsidiary with any experience and knowledge in the field of drill guide bushings. At all times defendant was paid a salary for his work and in addition he was and still is a principal stockholder in the corporation.

9. All other officers and directors of plaintiff were non-technical men who relied entirely upon the knowledge, training, experience and representations of the defendant with respect to experimentation, development, research, manufacture and sales for its products.

10. The bushings which defendant had represented to Swanson were a revolutionary new type and which were described in the applications covered by the agreement of April 5, 1949, were of no commercial value. For this reason, which time was spent by defendant and other employees of plaintiff in an effort to develop a bushing which

would sell. The inventions claimed in the patents which are the subject of this suit were developed by the defendant by the use of plaintiff's machinery, plant facilities, material, employees, on company time and with company funds. At least a portion of the expense of applying for and obtaining the patents was paid out of plaintiff's funds. This experimental work resulted in applications for letters patent, the first of which was filed January 10, 1952 and the remaining four applications in the year 1953. Four of the patents were issued in the year 1956 and one, namely, No. 2,852,322, was dated September 16, 1958.

11. Prior to issuance of the aforesaid patents, defendant refused and failed to give any information to plaintiff's other officers and directors with respect to the existence and/or status of patent applications.

12. In March, April and May of 1956, defendant as Secretary-Treasurer and General Manager, caused three checks to be issued to himself and designated them in his own handwriting as payment of royalties. No disclosure of this fact was made to the other officers or the Board of Directors. Defendant first made claim to royalties after he left the company and royalty checks were mailed to him for the months of March, April and May, 1957 in the mistaken belief that any patents which he held had been in fact issued to him on the applications referred to in the agreement of April 5, 1949. When the error was discovered, no further payments were made.

13. There are approximately 170 stockholders in plaintiff corporation who paid approximately $500,000.00 for their stock. In at least one instance, defendant assured the prospective purchaser of stock, before he purchased, that the company owned the patents.

CONCLUSIONS OF LAW

1. The agreement of April 5, 1949 related only to the patent applications referred to therein and did not extend to new and patentable inventions disclosed in the patents and patent applications involved in this suit.

2. By reason of defendant's status and position as principal shareholder, officer, director and general manager in sole charge of experimentation, research, development, manufacture and sales, defendant was in a fiduciary relationship with the plaintiff at the time the inventions claimed in the patents were developed and the applications for said patents were filed by, and the patents issued, to defendant.

3. The defendant violated his fiduciary relationships with the company.

4. The plaintiff has the equitable right to the patents and patent applications in suit and is entitled to a decree declaring it to be the owner of the legal title thereto.

/s/ JOSEPH C. MCGARRAGHY,
Judge.

(Filed September 27, 1961)

This cause having come on for trial by the Court without a jury and having been fully heard, and been argued by counsel for the parties, the Court, this 27th day of September, 1961 makes the following Findings of Fact and Conclusions of Law:

AMENDED FINDINGS OF FACT

1. Plaintiff, North Branch Products, Inc. is a corporation organized and existing under the laws of the State of Michigan, and has its principal place of business at Millington, Michigan.

2. Defendant, W. Reuen Fisher, is a citizen of the United States, residing in Alberta, Canada.

3. Plaintiff is engaged almost exclusively in the manufacture for sale and and in selling through a wholly owned subsidiary, Revere Fisher Manufacturing Company, a line of drill guide bushings characterized by a usually replaceable helical coil type insert or liner, as described and claimed in one or more letters patents, No. 2,766,084, No. 2,744,424, No. 2,737,425, No. 2,852,322, and No. 2,766,083, all issued to the defendant. The circumstances under which the plaintiff became thus engaged are as related in the following paragraphs.

4. In the early part of 1949, the defendant approached Dr. E. C. Swanson, a medical doctor, and suggested the acquisition of the facilities of the existing North Branch Products, Inc. and using them to manufacture and sell what defendant described as a revolutionary type of drill guide bushing which defendant represented to Swanson he had invented and had already for the market and as represented by patent applications theretofore filed by him. Swanson in turn interested Dr. Edward L. Grimm, an educator, in the venture, and later, other persons. Thereupon and by the end of March, 1949, defendant secured the assignment of the oustanding stock of North Branch Products, Inc. to himself as trustee for the initial investors, and purchased machinery from funds supplied by himself, Dr. Swanson and others.

5. Preliminary and incident to the acquisition of all of the shares of stock in the corporation, it was agreed between defendant and Swanson that defendant would be compensated for use of his invention on a royalty basis of one per cent of the gross sales of the company, or a minimum of $500.00 per month and a maximum of $1500.00 per month with a charge-back for any salaries paid to defendant.

6. Following the acquisition of the stock of the plaintiff, the first shareholders meeting of the reorganized company was held on April 1, 1949 at which Swanson was elected President, Grimm as Vice President, and Fisher as Secretary-Treasurer.

7. Thereafter, on April 5, 1949, a written agreement prepared by defendant and submitted by him to Swanson was executed under which defendant licensed to the corporation the exclusive use, right and benefit of patent applications filed by defendant in April, 1948, November, 1948 and December, 1949, upon the same royalty basis as indicated in paragraph 5 above. Actually, there were only two applications which had been filed by defendant. The first was filed December 22, 1948 and was finally rejected by the U. S. Patent Office on January 30, 1952 and abandoned. The second matured as patent No. 2,543,840 issued March 6, 1951 and related to a locking device for a solid steel bushing but had no commercial value.

8. Upon acquisition of the shares of stock in plaintiff corporation as recited in finding 4 hereof, defendant became and continues to be a principal stockholder of the corporation. He also served intermittently as a director and officer until April 17, 1957. He was in sole charge of all phases of manufacture and sales of drill guide bushings and also was in sole charge of experimentation, research and engineering with respect to development of said bushings. At various times until termination of his office as General Manager on April 17, 1957, he held the title of Secretary-Treasurer and General Manager. He was the only person connected with either plaintiff or its subsidiary with any experience and knowledge in the field of drill guide bushings. At all times defendant was paid a salary for his work.

9. All other officers and directors of plaintiff were non-technical men who relied entirely upon the knowledge, training, experience and representations of the defendant

with respect to experimentation, development, research, manufacture and sales of its products.

10. The bushings which defendant had represented to Swanson were a revolutionary new type and which were described in the applications covered by the agreement of April 5, 1949, were of no commercial value. For this reason, much time was spent by defendant and other employees of plaintiff in an effort to develop a bushing which would sell. The inventions claimed in the patents which are the subject of this suit were developed by the defendant by the use of plaintiff's machinery, plant facilities, material, employees, on company time and with company funds. At least a portion of the expense of applying for and obtaining the patents was paid out of plaintiff's funds. This experimental work resulted in applications for and issuance of letters patent as follows:

Patent No. 2,744,424, application filed January 10, 1952 and patent issued May 8, 1956.

Patent No. 2,737,425, application filed March 27, 1953 and patent issued March 6, 1956.

Patent No. 2,766,083, application filed March 27, 1953 and patent issued October 9, 1956.

Patent No. 2,766,084, application filed July 29, 1953 and patent issued October 9, 1956.

Patent No. 2,852,322, application filed July 29, 1953 and patent issued September 16, 1958.

11. Prior to issuance of the aforesaid patents, defendant refused and failed to give any information to plaintiff's other officers and directors with respect to the existence and/or status of patent applications. The defendant pursued a course designed to, and which did, in fact, conceal such information from the other officers and directors. Efforts by them to obtain such information were consistently frustrated by the defendant. It was not until March,

1957, when the defendant left Michigan for Canada, that the other officers and directors were able to determine the status and facts with respect to the patents.

12. In March, April and May of 1956, defendant as Secretary-Treasurer and General Manager, caused three checks to be issued to himself and designated them in his own handwriting as payment of royalties. No disclosure of this fact was made to the other officers or the Board of Directors. Defendant first made claim to royalties after he left the company and royalty checks were mailed to him for the months of March, April and May, 1957, in the mistaken belief that any patents which he held had been in fact issued to him on the applications referred to in the agreement of April 5, 1949. When the error was discovered, no further payments were made.

13. There are approximately 170 stockholders in plaintiff corporation who paid approximately $500,000.00 for their stock. In at least one instance, defendant assured the prospective purchaser of stock, before he purchased, that the company owned the patents.

AMENDED CONCLUSIONS OF LAW

1. The agreement of April 5, 1949 related only to the patent applications referred to therein and did not extend to new and patentable inventions disclosed in the patents and patent applications involved in this suit.

2. By reason of defendant's status and position as principal shareholder, officer, director and general manager in sole charge of experimentations, research, development, manufacture and sales, defendant was in a fiduciary relationship with the plaintiff at the time the inventions claimed in the patents were developed and the applications for said patents were filed by, and the patents issued to, defendant.

3. The defendant violated his fiduciary relationship with the company.

4. The plaintiff's cause of action is not barred by either the Michigan or the District of Columbia statutes of limitations.

5. The plaintiff has the equitable right to the patents and patent applications in suit and is entitled to a decree declaring it to be the owner of the legal title thereto.

/s/ JOSEPH C. McGARRAGHY,
Judge.

Judgment

(Filed September 27, 1961)

This case having come on for trial by the Court without a jury, and having been fully heard, and been argued by counsel for the parties, and the Court having made the Findings of Facts and Conclusions of Law on June 26, 1961;

It is therefore Declared, Adjudged and Decreed that:

1. The plaintiff, North Branch Products, Inc., a corporation of the State of Michigan having its principal place of business at Millington, Michigan, is the owner of the entire right, title and interest in and to United States Letters Patents Nos. 2,737,425, 2,744,424, 2,766,083, 2,766,084, and 2,852,322 all issued to the defendant, W. Reuen Fisher.

2. The defendant shall execute a written assignment, without reservation, of said patents and of any and all pending patent applications, if any, filed by defendant on the general subject of drill guide bushings during the period beginning April 1, 1949 and terminating April 17, 1957, to the plaintiff within thirty (30) days from the date of this Judgment.

3. Upon failure of the defendant to so assign said patents and said pending applications, if any, this Judgment shall operate as such an assignment.

4. The defendant is enjoined perpetually from interfering with plaintiff's use, either directly or indirectly, or with the use by plaintiff's licensees, if any, or with the use by plaintiff's customers, of the structures disclosed and claimed in said patents and said applications if any.

5. Costs as taxed by the clerk shall be borne by the defendant.

/s/ JOSEPH C. MCGARRAGHY,
United States District Judge.

September 27, 1961.

Notice of Appeal

(Filed October 25, 1961)

Notice is hereby given that W. Reuen Fisher, a citizen of the United States, residing in Alberta, Canada, Defendant above named, hereby appeals to the United States Court of Appeals for the District of Columbia Circuit from the Judgment entered in this action on the 27th day of September, 1961.

Dated at Washington, D. C. this 25th day of October, A.D. 1961.

/s/ ROBERT G. MENTAG,
Attorney for Defendant,
3437 Book Tower,
Detroit 26, Michigan.

/s/ ALBERT W. RINEHART,
Counsel for Defendant,
1331 G Street, N.W.,
Washington 5, D. C.

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 16,746

W. REUEN FISHER, *Appellant*,

v.

NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, *Appellee*.

Appeal from the United States District Court for the District of Columbia

Decided December 27, 1962

Mr. Robert G. Mentag, with whom *Mr. Albert W. Rinehart* was on the brief, for appellant.

Mr. Albert A. Smith, of the bar of the Supreme Court of Michigan, *pro hac vice*, by special leave of court, with whom *Mr. J. Harold Kilcoyne* was on the brief, for appellee.

Before WASHINGTON, BURGER and WRIGHT, Circuit Judges.

PER CURIAM: This case is a sequel to *North Branch Products, Inc.* v. *Fisher*, 109 U.S. App. D.C. 182, 284 F. 2d 611 (1960), cert. denied, 365 U.S. 827 (1961). After our remand, the case came to trial in the District Court, and resulted in a judgment against Fisher, requiring him to assign certain patents to the plaintiff corporation. This appeal followed.

Appellant makes a number of contentions. *Inter alia*, he urges that the District Court lacked jurisdiction. But this was decided against appellant in our earlier decision, cited above, and will not be reopened now. He also attacks the findings of fact of the District Court as clearly erroneous. They do not appear so to us. Nor do the conclusions of law appear in error. The judgment of the District Court will accordingly be

Affirmed.

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

SEPTEMBER TERM, 1962

No. 16,746

District Court Civil Action No. 1033-58

W. REUEN FISHER, *Appellant*,

v.

NORTH BRANCH PRODUCTS, INC., a Michigan Corporation, *Appellee*.

Before: BAZELON, *Chief Judge*, EDGERTON, WILBUR K. MILLER, FAHY, WASHINGTON, DANAHER, BASTIAN, BURGER and WRIGHT, *Circuit Judges*, in Chambers.

(Filed January 28, 1963)

Order

On consideration of appellant's petition for rehearing en banc, it is

ORDERED by the court that the petition is hereby denied.

Per Curiam.

Dated: January 28, 1963

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

SEPTEMBER TERM, 1962

No. 16,746

W. REUEN FISHER, *Appellant*,

v.

NORTH BRANCH PRODUCTS, INC., a Michigan Corp., *Appellee*.

Before: WASHINGTON, BURGER and WRIGHT, *Circuit Judges*, in Chambers.

(Filed February 6, 1963)

Order

On consideration of appellant's petition for rehearing by the division, it is

ORDERED by the court that the petition is hereby denied.

Per Curiam.

Dated: February 6, 1963

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

SEPTEMBER TERM, 1962

No. 16,746

W. REUEN FISHER

v.

NORTH BRANCH PRODUCTS, INC.

Before: BAZELON, *Chief Judge*, in Chambers.

Order

Appellant's unopposed motion to stay the transmission of the opinion and certified copy of the judgment in the

above-entitled case pending application to the Supreme Court of the United States for certiorari is hereby granted, and the issuance of the opinion and certified copy of the judgment is hereby stayed to and including February 27, 1963.

Dated: February 12, 1963

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

SEPTEMBER TERM, 1962

No. 16,746

W. REUEN FISHER

v.

NORTH BRANCH PRODUCTS, INC.

Before: WASHINGTON, *Acting Chief Judge*,
in Chambers.

Order

On consideration of appellant's consent motion to enlarge order staying transmission of opinion and judgment, it is

ORDERED that the issuance of the opinion and certified copy of the judgment of this court in the above-entitled case is hereby stayed to and including March 29, 1963.

Dated: March 1, 1963

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

SEPTEMBER TERM, 1962

No. 16,746

W. REUEN FISHER

v.

NORTH BRANCH PRODUCTS, INC.

Before: BAZELON, *Chief Judge*, in Chambers.

Order

Appellant's unopposed motion to authorize the Clerk of this court to transmit defendant's exhibits 20 and 21 to the Supreme Court of the United States for use in connection with petition for writ of certiorari is hereby granted, and the Clerk is directed to transmit the aforesaid exhibits to the Supreme Court of the United States.

Dated: March 12, 1963

May 8, 1956 W. R. FISHER 2,744,424

DRILL GUIDE BUSHING

Filed Jan. 10, 1952

FIG. 6.

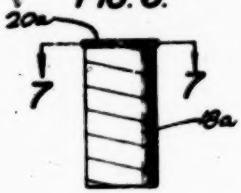


FIG. 1.

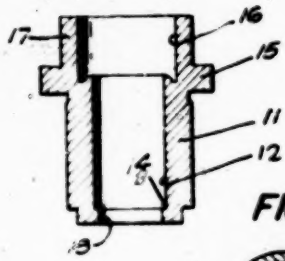


FIG. 7.

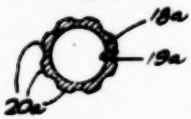


FIG. 5.

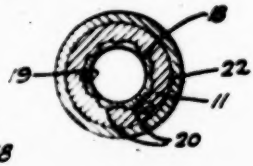


FIG. 4.

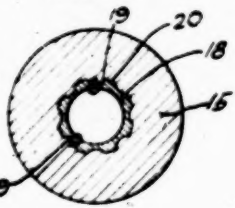


FIG. 2.

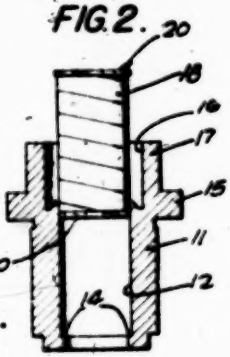
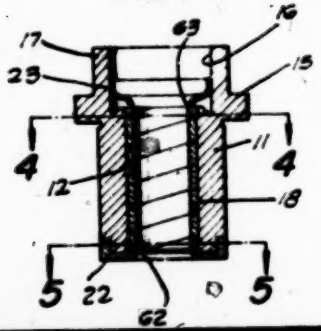


FIG. 3.



INVENTOR.
W. REUEN FISHER
BY
ATTORNEY.

North Branch Products, Inc.
vs.
W. Reuen Fisher
C.A. 1033-58
Pl's. Ex. "5"

2,744,424
Patented May 8, 1956

UNITED STATES PATENT OFFICE

2,744,424

Drill Guide Bushing

W. Reuen Fisher, North Branch, Mich.

Application January 10, 1952, Serial No. 265,754
3 Claims. (Cl. 77—62)

My invention relates to a new and useful improvement in a drill guide bushing adapted for use as a guide for drills, taps, reamers and so forth when the same are used for working upon a work-piece.

It is an object of the present invention to provide a drill guide bushing of this class which will be simple in structure, economical of manufacture, durable, highly efficient in use and easily and quickly assembled.

Another object of the invention is to provide a bushing of this class having a retainer with a bore formed therethrough and having a coiled liner inserted in the bore in such a manner that contact of the rotating tool, such as a drill, reamer or the like, with the liner will have a tendency to expand the liner into close contact with the surface of the bore of the retainer, so that frictional engagement between these parts will resist any tendency of relative rotation.

Other objects will appear hereinafter.

It is recognized that various modifications and changes may be made in the detail of structure illustrated without departing from the invention and it is intended that the present disclosure shall be considered but the preferred embodiment.

Forming a part of this application are drawings in which:

Fig. 1 is a longitudinal central sectional view of the retainer,

Fig. 2 is a longitudinal central sectional view of the retainer showing the liner partially inserted therein,

Fig. 3 is a longitudinal central sectional view of the retainer showing the liner in full inserted position,

Fig. 4 is a sectional view taken on line **4—4** of Fig 3,

Fig. 5 is a sectional view taken on line **5—5** of Fig. 3,

Fig. 6 is a side elevational view of a liner showing a slightly modified form,

Fig. 7 is a sectional view taken on line **7—7** of Fig. 6.

The invention embodies a retainer and a liner, this retainer having a bore formed therethrough into which is inserted the liner and the liner having a bore formed therethrough of the proper inside diameter to accommodate rotating tools, such as drills, reamers and the like, of a specified diameter. This guide bushing may be used in connection with a liner bushing. When used with a liner bushing the liner bushing is fixedly fastened in a jig plate in which has been formed an opening for reception of the liner bushing. When used in this manner the retainer of the guide bushing is inserted in the liner bushing. Some operators, in some cases, prefer to avoid the use of the liner bushing. In these instances the jig plate is provided with the properly located openings into which the retainer of the guide bushing is inserted. This insertion generally is by press fit.

In the drawings of the present application I have shown a retainer **11** having a bore **12** formed therethrough communicating at one end with a smaller bore **13**, so that a flange or shoulder **14** is formed inwardly from the lower end of the retainer **11**. Formed on the retainer **11** adjacent its tube end is a peripheral flange **15** and extending

upwardly from this flange **15** is a tubular head **17** having a bore **16** formed therein slightly larger than the bore **12**. A liner **18** is formed as a coiled body. This coiled body is formed from flat resilient stock of a determined thickness. When the wire is wound it is wound with an outside diameter slightly larger than the bore **12** of the retainer. Experience has shown that, by forming the coil with an outside diameter of a size .005" larger than the bore in the retainer, a very satisfactory result may be effected. When the liner is formed the coils will be slightly spaced apart. As the liner is inserted into the bore of the retainer the liner is rotated so as to move the spiral windings into close relation and thus reduce the outside diameter of this liner. This permits the liner to enter the retainer as a snug fit. This also, since the thickness of the wire from which the coil is made is predetermined, determines the inside diameter of the liner. Formed on the opposite ends of the liner **18**, shown in Fig. 2, are spaced apart grooves **19** to provide the serrations **20** on the periphery of the liner, so that the liner may be said to be serrated at its opposite ends. As this liner is inserted into the retainer and the serrations **20** are brought into engagement with the flange or shoulder **14** and the longitudinal movement of the liner is continued by pressing operation, these serrations will cut through the flange **14**, so that they will assist in preventing relative rotation of the retainer and the liner. The serrations at the upper end are formed in a rolling operation, so that they project slightly beyond the closed periphery of the coil and also will cut into the upper end of the liner **11**. After the parts have been assembled, as shown in Fig. 3, a cap **22** is mounted by a press fit on the lower end of the retainer **11**, so as to overlie the liner, but not to a distance that the cap **22** would project into the space defined by the bore of the liner **18**. Similarly a cap **23** is mounted in the head **17** so as to overlie the liner but leave the bore of the liner clear.

In high speed drilling a "bug" or a chip will frequently adhere or seal to the drill. This, of course, would be be-

low and in proximity to the lower end of the guide bushing with the result that this bug or chip rotating with the drill would engage against the lowermost coil of the liner. Due to the fact that the winding of the coil is opposite to the direction of the rotation of the drill, a turning contact between the tool and the liner will have a tendency to expand the spring coil into engagement with the liner due to the unwinding strain. This will effect a surface contact of the coiled liner at its periphery, throughout its length, with the inner face of the bore of the retainer, with the result that this frictional engagement will resist a relative rotation between the liner and the retainer. This prevents the possibility of breaking off the end of the coil with which the bug or chip, rotating with the drill, may engage.

In Fig. 6 I have shown the coil liner **18***a* constructed as already described, excepting that the serrations appear at only one end, the grooves **19***a* being spaced by the portions **20***a*.

The metal from which the coil liner is made is formed from wear-resisting metal. It is formed from resilient steel, heat treated to harden the same. The retainer **11** may be made of soft metal so that the expense of completing the guide bushing is thus reduced considerably.

It is believed obvious that the outside diameter of the liner is controlled by the size of the bore **12** of the retainer. The inside diameter of the coil is, of course, controlled by the outside diameter and the thickness of the wire or band from which the coil is made.

If desired the coil **18** may be used with retainers **11** having a bore **12** of different diameter. Experience has shown that the variation in the diameter of the bore **12**, which will snugly receive the coil, may vary as much as .020". Even though the windings of the coil are close together, when the coil is fabricated, as the torque is applied to the coil to reduce its outside diameter the windings will creep on each other. Consequently the same coil is thus used

with retainers having different diameter of bores with the result that the same coil may be used as a guide for rotating tools of different outside diameters. This is so because if the bore of the retainer, which snugly receives the coil, is of a specified diameter and the coil is snugly received within the bore, the inside diameter of the coil is thus determined. This makes it possible to supply a smaller number of liners or cores to cover a certain range of tool diameters. The retainer, of course, is made from soft non-hardened material and, therefore, is comparatively cheap to manufacture. The user of this construction would be provided with a number of retainers each having a different diameter of bore formed therethrough. For each group of retainers within a certain range of bore diameter there would be provided a single core or coil. Consequently the user of the invention would not be required to stock a core or liner for each diameter of tool with which it was intended to use the guide bushing. This is so because the diameter of the bore of the retainer will determine the inside diameter of the liner or coil.

It will be noted that the opposite ends of the coil are chamfered inwardly of the bore. It will also be noted that there is a chamfer **62** on the member **22** and a chamfer **63** on the member **23**. As these members **22** and **23** are forced into position the engagement of these inclined faces with each other will have a tendency to expand the coil outwardly into close relation with the inner surface of the bore **12**.

It is believed obvious that the core or liner serves as a bearing or bushing for the rotating tool member which is projected therethrough. This construction could also be used as a bearing for any rotating part. For instance, an arbor or a shaft. Should the rotating part become worn so that it is of smaller diameter than its original outside diameter, the bearing may be easily and quickly removed and replaced with a proper size bearing. This could be accomplished by removing the coil from the retaining

member and then inserting into the bore of the retaining member a coil of substantially the same outside diameter having an increased wall thickness to compensate for the wear which has taken place on the rotating part.

It is also believed obvious that if desired the retainer **11** may be eliminated and the bore **12** may be formed in the jig plate so that the jig plate itself becomes the retainer.

Experience has shown that when the retainer **11** is formed of a metal of high thermal conductivity, such as aluminum, zinc, copper or the like, heat generated on the liner is quickly dissipated. Experience has shown that where an over-size drill was used in one of the guide bushings the operation could continue until the drill was highly heated closely approaching a cherry red and the head **17** of the retainer remained cool enough to be touched with the bare hand. This is advantageous particularly in prolonging the life of the liner, whether used as a guide or a bearing, and also prolonging the life of the rotating element which is generating the heat.

What I claim is:

1. In a drill guide bushing of the class described adapted for use with a rigid retainer having a smooth bore formed therethrough of uniform diameter from end to end and through which a rotating body is adapted to be projected, a tubular liner for said bore comprising a spirally wound body of flexible, resilient, wear-resisting metal of uniform thickness from end to end, said body being spirally wound to an outside diameter uniform throughout its length and slightly larger than the bore through said retainer; the outside diameter of said spirally wound body being reducible, in response to force, to snugly engage in the bore of said retainer, said windings of said liner, when said liner is positioned in said bore, engaging at opposed edges to form a smooth bore through said liner, the coils of said liner, upon release of the reducing force, moving toward the original outside diameter for frictionally engaging at

the periphery the surface of said bore for retaining said liner in fixed relation to said retainer.

2. The structure defined in claim 1 in which the windings of the liner are in a direction opposite to the direction of rotation of the rotating tool projected therethrough.

3. The structure defined in claim 2 in which there is a means on the spirally wound body inter-engaging with the retainer for additionally maintaining said spirally wound body and said retainer in fixed relative position.

References Cited in the file of this patent

UNITED STATES PATENTS

479,039	Van Bentanysen	July 19, 1892
1,454,682	Layne	May 8, 1923
2,329,286	Meyer	Sept. 14, 1943
2,427,994	Merrill	Sept. 23, 1947